

CORPORATE GOVERNANCE

INTRODUCTION

BHG Retail REIT (the “**REIT**”) is a trust constituted by a deed of trust dated 18 November 2015 (as amended and supplemented) (the “**Trust Deed**”) entered into between BHG Retail Trust Management Pte. Ltd. (the “**Manager**”), as manager of the REIT, and DBS Trustee Limited (the “**Trustee**”), as trustee of the REIT. The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders of the REIT (the “**Unitholders**”) present and voting at a meeting of the Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

As an entity regulated by the Securities and Futures Act 2001 (“**SFA**”), the Code on Collective Investment Schemes (the “**CIS Code**”), the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”), and other regulations, the Manager is committed to upholding good standards of corporate governance.

The board of directors (the “**Board**” or “**Director**”) of the Manager has ensured corporate governance practices in line with the Code of Corporate Governance 2018 (the “**2018 Code**”) were implemented. The Manager has further ensured that it remains in compliance with the other regulations, notices, circulars and guidelines that may be released by the Monetary Authority of Singapore (“**MAS**”) from time to time.

This corporate governance report (“**Report**”) describes the corporate governance practices with specific reference to the 2018 Code. Where there are deviations from the principles and provisions of the 2018 Code, explanations are provided within this Annual Report. This Report also sets out additional policies and practices adopted by the Manager which are not provided in the 2018 Code.

THE MANAGER

The Manager has general powers of management over the assets of the REIT, and is responsible for setting the strategic direction of the REIT. The Manager’s primary responsibility is to manage the assets and liabilities of the REIT for the benefit of the Unitholders of the REIT. Broadly, the Manager’s strategy is:

- Active Asset Management – Driving organic growth and building long-lasting relationships with tenants;
- Active Asset Enhancement – Implementing enhancement opportunities to enhance cash flow and value of the properties;
- Acquisition Growth – Achieving portfolio growth through acquisition of quality income producing retail properties; and
- Sound Capital and Risk Management – Appropriate mix of debt and equity financing to maintain a strong and robust statement of financial position.

The Manager is an indirect wholly-owned subsidiary of Beijing Hualian Department Store Co., Ltd. (the “**Sponsor**”), an established China-based home-grown retail property operator. The Sponsor has extensive experience and expertise in asset management, which the REIT is able to leverage on in order to achieve its objectives.

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BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board, which is responsible for the long-term success of the REIT, is entrusted with overall responsibility for the corporate governance of the Manager. The Board is also responsible for the strategic business direction and risk management of the REIT. To this end, the Board has set in place a framework of internal controls for effective management of risks within the business. All Directors exercise reasonable diligence and independent judgment when making decisions and are obliged to act honestly and consider the interests of the Manager and the REIT at all times. The Board recognises that Directors owe fiduciary duties to the Manager and should act objectively in the best interests of the Manager and hold the management team of the Manager ("**Management**") accountable for performance.

As part of providing overall leadership to the REIT and its subsidiaries (the "**Group**"), the Board sets the appropriate tone from the top, desired organisational culture, and ensures proper accountability within the Manager. The Board also advises Management on the desired culture of the Group and monitors Management's implementation of such culture. The Board and Management are guided by a Code of Conduct and Ethics which provides that every Director and member of Management is expected to, among other things, adhere to the highest standards of ethical conduct.

At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of the REIT. The Manager requires that its Directors disclose their interests in transactions and any conflicts of interests. The Directors must recuse themselves from any discussions and decisions concerning a matter in which they may be in a conflict of interest situation. Each of the Directors has complied with the above.

The Board has authority to approve or endorse certain matters, including:

- Material transactions, such as acquisitions and divestments;
- Annual budgets;
- Periodic financial reports; and
- Appointment of Directors and key management personnel of the Manager ("**KMP**").

The Manager has established internal guidelines setting forth matters that require the Board's approval including business strategies and proposals, investment acquisitions and disposals, borrowings and financing arrangements, budgets, project development and capital, and operating expenditures. Such matters which have been approved by the Board are clearly communicated to Management in writing. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board committees and Management to optimise operational efficiency.

All Directors exercise reasonable diligence and independent judgment when making decisions and are obliged to act honestly and consider the interests of the Manager at all times.

To facilitate proper discharge of its functions, the Board has established the following committees:

- Audit and Risk Committee (the "**ARC**"); and
- Nominating and Remuneration Committee ("**NRC**") (collectively, the "**Board Committees**").

The Board Committee members are appointed from within the ranks of the Board, and operate on delegated authority from the Board. The Board Committees have been constituted with clear

written terms of reference approved by the Board and may decide on matters within its terms of reference and applicable limits of authority. The terms of reference of the respective Board Committees set out their compositions, authorities and duties, including reporting back to the Board. All terms of reference are reviewed and updated when necessary to ensure their continued relevance. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rests with the Board as a whole. The composition of the various Board Committees, the terms of reference, any delegation of the Board's authority to make decisions and a summary of each committee's activities are set out in this Corporate Governance section of the Annual Report.

The Board and the ARC meet on a semi-annual basis to review key business activities. The NRC meets at least annually. Where it is not possible for a Director to attend in person, that Director may participate via teleconferencing, videoconferencing, or other similar means of telecommunication. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board attend and actively participate in the discussions and deliberations, and resolutions in writing are circulated to all Directors for their consideration and approval. A Director with multiple directorships is expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of the REIT for the benefit of Unitholders. Two Board meetings were held during the financial year ended 31 December 2021 ("**FY 2021**"). The number of such meetings and the attendance of each of the Directors at Board meetings and Board Committee meetings are set out at page 33 of this Annual Report.

Provision 1.5 of the 2018 Code requires Directors to attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Manager provides the Board with complete, adequate and timely information prior to Board meetings, and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. This includes periodic business updates, financial reports and financial statements from the Manager. The Manager's executives and external consultants may also provide presentations on specific business areas. Further, the Board has separate and independent access to Management and the company secretary of the Manager ("**Company Secretary**") at the Manager's expense, at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board and Board Committee meetings. The Board also has access to external advisers where necessary and when requested at the Manager's expense.

The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole. This ensures that the Directors are not dependent solely on what is volunteered by the Manager.

At each Board meeting, the Chief Executive Officer ("**CEO**") provides updates on the REIT's business and operations, as well as financial performance. Presentations in relation to specific business areas are also made by key executives and external consultants or experts. This allows the Directors to understand the Manager's business as well as their directorship duties (including their roles as non-executive and independent directors) and also promotes active engagement between the Board and the key executives of the Manager.

Updates and changes to regulatory requirements that bear relevance to the REIT are monitored and reported to the Board during the meeting. Where necessary and expedient, the Board may be briefed on urgent updates via circulars.

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Induction, training and development programmes are provided to new and existing Directors. These programmes aim to familiarise the new Director with his or her duties as a director and how to discharge those duties, the laws and regulations that govern the operation of a REIT, and to familiarise the new Director with the REIT's business and organisation structure and governance practices. Following their appointment, Directors are provided with opportunities for developing and maintaining their skills and knowledge at the Manager's expense and continuing education in areas such as Director's duties and responsibilities, changes to laws, regulations, accounting standards, and industry-related matters so as to be updated on matters that may affect or enhance their performance as Directors of the Board, or of the Board Committees. In FY 2021, Directors were briefed and updated on new notices and guidelines issued by MAS and changes to the Listing Manual of the SGX-ST.

The Directors and executive officers should have appropriate experience and expertise to manage the REIT's business. New Directors, who have no prior experience as a director of a public listed entity listed on the SGX-ST, will undergo training in the roles and responsibilities of a director of a public listed entity in Singapore as prescribed by the SGX-ST.

Newly appointed Directors will be provided with a formal letter of appointment setting out their duties and obligations.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board presently comprises five (5) members, all of whom are Non-Executive Directors such that Non-Executive Directors make up a majority of the Board and of which three (3) are Independent Directors:

Mr Francis Siu Wai Keung	Chairman/ Non-Executive Independent Director
Mr Ben Yeo Chee Seong	Non-Executive Independent Director
Mr Lau Teck Sien	Non-Executive Independent Director
Mr Xiong Zhen	Non-Executive Non-Independent Director
Mr Peng Ge	Non-Executive Non-Independent Director

Although the majority of the Board comprises Independent Directors, the Manager is not required to have the majority of the Board as Independent Directors as the Chairman is independent.

Each Director is a respected individual with the appropriate experience to act as the Directors of the Manager. The profiles of the Directors may be found from pages 17 to 19 of this Annual Report. The Board is headed by Mr Francis Siu Wai Keung, who presides as Chairman. The Board, through the NRC, aims to maintain an optimal Board composition by considering the trends affecting the REIT, reviewing the skills needed and identifying gaps (which includes considering whether there is an appropriate level of diversity of thought), and such considerations may be used by the NRC to set appointment criteria for successors. The Board reviews from time to time the size and composition of the Board, with a view to ensuring the Board has the appropriate mix of expertise and experience and that the size of the Board is appropriate in facilitating effective decision making and constructive debate, taking into account the scope and nature of the operations of the Group, and that the Board has a strong independent element. The Board, through the NRC, also aims to maintain an appropriate balance and diversity of experience, skills, knowledge, gender, age, perspectives, qualifications and other attributes in the relevant areas among the Directors in order to build an effective and cohesive Board. Any potential conflicts of interest are also taken into consideration.

In view of the principles and provisions set out in the 2018 Code, the Board has adopted a Board Diversity Policy from 2020 onwards as the REIT recognises that board diversity is an essential element contributing to the sustainable development of the Manager. The main objective of the Board Diversity Policy is to foster an inclusive and diverse culture that introduces different perspectives and experiences that will ultimately promote better corporate governance. The key selection criteria for Director candidates is based on the right blend of competencies, skills and abilities to contribute effectively, and experience in the context of the REIT's business operations. The Board Diversity Policy provides that the NRC will consider all aspects of diversity in reviewing the Board composition and succession planning. The Board has made good progress in achieving its objectives under the Board Diversity Policy.

The assessment of a Director's independence takes into account the enhanced independence requirements and the definition of "independent director" as set out in both the 2018 Code and the Securities and Futures (Licencing and Conduct of Business) Regulations. An independent director is one who: (i) is independent in conduct, character and judgment, and has no relationship with the Manager, its related corporations, shareholders who hold 5.0% or more of the voting shares (the "**Substantial Shareholders**") of the Manager, or Unitholders who hold 5.0% or more of the Units (the "**Substantial Unitholders**") in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independence business judgment, in the best interests of the Unitholders; (ii) is independent from any management and business relationship with the Manager and the REIT, and from every Substantial Shareholder of the Manager and every Substantial Unitholder; (iii) is not a Substantial Shareholder of the Manager or a Substantial Unitholder; (iv) has not served on the Board for a continuous period of nine (9) years or longer; and (v) is not employed or has been employed by the Manager or the REIT or any of their related corporations in the current or any of the past three (3) financial years and does not have an immediate family member who is employed or has been employed by the Manager or the REIT or any of their related corporations in the current or any of the past three (3) financial years and whose remuneration is or was determined by the Board.

Mr Xiong Zhen and Mr Peng Ge are salaried employees of other entities within the Beijing Hualian Group Investment Holding Co., Ltd. ("**Beijing Hualian Group**") and accordingly are treated as Non-Independent Directors. The independence of Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien are assessed against the requirements of the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations. There are no instances where the Board considers a director to be independent where there is the existence of a relationship as stated in the 2018 Code and the Listing Manual of the SGX-ST that would otherwise deem a director not to be independent. For FY 2021, the NRC has reviewed and determined that the Independent Directors of the Manager are independent according to the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations. None of the Independent Directors have served the Board beyond nine (9) years from the date of their first appointments. The following further sets out the assessment of each Director's independence against the requirements under the Securities and Futures (Licencing and Conduct of Business) Regulations.

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	Francis Siu	Ben Yeo	Lau Teck Sien	Peng Ge	Xiong Zhen
had been independent from the management of the Manager and BHG Retail REIT during FY 2021	X	X	X		
had been independent from any business relationship with the Manager and BHG Retail REIT during FY 2021	X	X	X	X	X
had been independent from every Substantial Shareholder of the Manager and every Substantial Unitholder of BHG Retail REIT during FY 2021	X	X	X		
had not been a Substantial Shareholder of the Manager or a Substantial Unitholder of BHG Retail REIT during FY 2021	X	X	X	X	X
has not served as a Director of the Manager for a continuous period of nine (9) years or longer as at the last day of FY 2021	X	X	X	X	X

Note:

Each of Mr Peng Ge and Mr Xiong Zhen is currently employed by a related corporation of the Manager. As such, during FY 2021, each of them is deemed (a) to have a management relationship with the Manager and the REIT; and (b) connected to a Substantial Shareholder of the Manager and substantial Unitholder. The Board of the Manager is satisfied that, as at the last day of FY 2021, each of Mr Peng Ge and Mr Xiong Zhen was able to act in the best interests of all Unitholders as a whole. As at the last day of FY 2021, each of Mr Peng Ge and Mr Xiong Zhen was able to act in the best interests of all Unitholders as a whole.

The Board is confident that the Directors act in good faith and exercise due diligence and care in the exercise of their duties, and is presently of an appropriate size. For FY 2021, the Board is of the opinion that its current Board size and composition is reasonable, effective and efficient considering the nature, size and scope of the Manager's and the REIT's business operation.

The Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their view and opinions provide alternative perspectives to the Manager's business and enable the Board to make informed and balanced decisions. The Non-Executive Directors also work with Management to help shape the strategic process.

When reviewing Management's proposals or decisions, the Non-Executive Directors bring their objective judgment to bear on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors and/or the REIT Independent Directors, led by the independent Chairman of the Board or other Independent Directors of the REIT as required, meet regularly without the presence of Management. The Chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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. Mr Francis Siu Wai Keung is the Chairman and Ms Chan Iz-Lynn is the CEO. The Chairman brings with him a wealth of experience. He leads the Board and bears responsibility for the working of the Board. Mr Siu is responsible for creating the conditions for the overall effectiveness and direction of the Board, Board Committees and individual Directors. He ensures that the Board receives accurate, timely and clear information and that the Board meetings are held as and when necessary, and sets the agenda of Board meetings in consultation with the other Directors and Management. He assists in ensuring compliance with the provisions on corporate governance and facilitates the effective contribution of Non-Executive Directors. The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.

The CEO, Ms Chan Iz-Lynn, works with the Board to determine the strategy for the REIT. She also works with the other members of the Management to ensure that the REIT operates in accordance with the Manager's stated investment strategy. Further, she is responsible for the future strategic development, overall day-to-day management and operations of the REIT, and works with the Manager's investment, asset management, financial and compliance personnel in meeting the strategic, investment and operational objectives of the REIT.

Provision 3.3 of the 2018 Code requires the Board to have a Lead Independent Director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The Lead Independent Director would be available to Unitholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. Currently, no Lead Independent Director has been appointed as there are sufficient measures in place in the event of a conflict by the Chairman. The Manager is of the view that despite the deviation from Provision 3.3 of the 2018 Code, the risk of conflict by the Chairman is mitigated given that the Chairman is not part of the Management and is an Independent Director, and the roles of the Chairman and CEO are held by separate individuals who are not immediate family members and have no close family ties. Moreover, the Board has a strong independent element as three (3) out of five (5) directors (including the Chairman) are Non-Executive Independent Directors. The Manager is accordingly of the view that its practice is consistent with the intent of Principle 3 of the 2018 Code as a whole.

During FY 2021, the Independent Directors have met at least once in the absence of Management, to discuss matters. Such meetings are led by the Independent Chairman, and feedback is provided to the Board and/or the Chairman as appropriate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Board is cognisant of the requirements of the 2018 Code, and accordingly the Board has established the NRC, which comprises the following three (3) members, all of whom, including the Chairman, are Non-Executive Independent Directors:

Mr Ben Yeo Chee Seong	Chairman
Mr Francis Siu Wai Keung	Member
Mr Lau Teck Sien	Member

The NRC is regulated by a set of written terms of reference and is responsible for making recommendations to the Board on appointment and remuneration matters. The NRC will review and make recommendations on succession plans for the Board and executive officers, in particular the appointment and/or replacement of the Chairman, the CEO and KMP. In reviewing succession plans, the NRC has in mind the REIT's strategic priorities and the factors affecting the long-term success of the REIT.

The NRC also considers different time horizons for the purposes of succession planning. The NRC evaluates the Board's competencies on a long-term basis and identifies competencies needed to achieve the REIT's strategy and objectives. In the medium term, the NRC has a system of orderly replacement of the Board members and key management personnel. The NRC also considers contingency planning to prepare for sudden and unforeseen changes.

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The other responsibilities of the NRC as set out in the terms of reference include:

- Developing a process and criteria for evaluation of the performance of the Board, its Board Committees, and Directors;
- Reviewing the training and professional development programmes for the Board and its Directors;
- Reviewing and nominating the appointment and re-appointment of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board, including taking into account the leadership needs of the Manager and the REIT and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director. Potential new directors are identified and evaluated based on criteria such as the relevant experience and skillsets of the potential director to the REIT's business. Broader search criteria is also considered, such as diversity and technological expertise;
- Determining annually, and as when circumstances require, if a Director is independent having regard to the circumstances set forth in page 29 of this Annual Report;
- Recommending to the Board the objective performance criteria and process for the purpose of evaluating the effectiveness of the Board as a whole and that of each of its Board Committees separately, as well as the contribution by the Chairman and each individual Director;
- Assess whether each Director continues to contribute effectively and demonstrates commitment to the role, taking into account factors such as commitment of time for meetings of the Board and Board Committees and any other duties;
- Review other directorship held by each Director and deciding if a Director is able to and has been adequately carrying out his or her duties as a Director of the Manager, taking into consideration the Director's number of listed company directorship and principal commitments;
- Propose and recommend to the Chairman of the Board, where appropriate, new members to be appointed to the Board and/or to seek the resignation of existing Directors;
- Determine who should be given the responsibility of conducting the evaluation, i.e. whether it should be done internally by another committee, by the NRC, by self-evaluation, or by an external consultant, as well as whether the process is intended to be conducted through a written questionnaire or via oral interview;
- Determine how the Manager's record retention policies and practices should be applied to the data gathered in the course of the evaluation process and it should ensure that such record retention procedures are strictly adhered to;
- Reviewing the REIT's obligations arising in the event of termination of Executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses; and
- Keep up to date with developments in corporate governance initiatives, changes to relevant legislations, strategic issues and commercial changes that may affect the Manager and the industry it operates.

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

- The NRC reviews the independence of each Director annually.
- In appointing a new Director to the Board, the Board considers the needs of the REIT and the relevant expertise of the candidate. Further, the Board refers to the Board Diversity Policy and considers the principles stated on page 29 of this Annual Report.
- The NRC ensures that a new Director is aware of his or her duties and obligations. A newly appointed Director receives a formal appointment letter which sets out his or her relevant duties and obligations. The NRC also decides if a Director is able to and has been adequately carrying out his or her duties as a Director of the Manager.

- The NRC further reviews the composition of the Board periodically, taking into account the need for progressive renewal of the Board and each Director's competencies, commitment, contribution and performance. Candidates with the appropriate profile are shortlisted for nomination and are recommended to the Board for approval. The search for candidates is conducted through referrals, and the NRC may seek advice from external search consultants where necessary.

In respect of the Manager's Independent Directors, Mr Francis Siu Wai Keung, Mr Ben Yeo Chee Seong and Mr Lau Teck Sien, the Board is of the view that they are independent for the financial year under review, taking into account the circumstances set forth in the 2018 Code, the Listing Manual of the SGX-ST, Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations and any other salient factors. The Independent Directors had also confirmed their independence in accordance with the 2018 Code, the Listing Manual of the SGX-ST and Regulation 13E of the Securities and Futures (Licencing and Conduct of Business) Regulations.

Where a Director has multiple Board representations, the NRC also considers whether or not the Director is able to and has adequately carried out his or her duties as a Director of the Manager, taking into consideration the Director's number of listed entity board representations and other principal commitments which are set out on pages 17 to 19 of this Annual Report. The Board has voluntarily and unanimously agreed that with effect from the financial year ended 31 December 2018, each Director may hold a maximum of six (6) listed entity directorships.

Procedures and control mechanisms are also in place to ensure that independence of the Directors is actively monitored. Please refer to Principle 2 under Board Composition and Guidance.

The NRC has evaluated and is satisfied that each Director has provided sufficient time and attention on the affairs of the Manager to fulfil their responsibilities, notwithstanding their other commitments. For FY 2021, the Directors have attended Board meetings and have participated constructively in discussion of the activities of the REIT. The Board is of the view that, despite the external appointments, the Directors are not hindered from diligently discharging his or her duties as Directors of the Manager.

The number of meetings held by the Board, the ARC and the NRC, and the attendance of Directors at the meetings during FY 2021 are set out as follows:

	Board Meetings	ARC Meetings	NRC Meetings	General Meetings
Francis Siu Wai Keung	2	2	1	1 ⁽¹⁾
Ben Yeo Chee Seong	2	2	1	1 ⁽¹⁾
Lau Teck Sien	2	2	1	1 ⁽¹⁾
Xiong Zhen	2	N.A. ⁽²⁾	N.A. ⁽²⁾	1 ⁽¹⁾
Peng Ge	2	N.A. ⁽²⁾	N.A. ⁽²⁾	1 ⁽¹⁾

Notes:

⁽¹⁾ The annual general meeting for the financial year ended 31 December 2020 was convened and held by way of electronic means. These Directors were in attendance via electronic means.

⁽²⁾ N.A. – Not applicable

Information in respect of the designations and roles of the Directors, academic and professional qualification, date of first appointment as a Director, date of last re-appointment as a Director, and directorship or chairmanship, both present and those held over the preceding three (3) years in other listed companies, and other principal commitments, is set out on pages 17 to 19 of this Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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The Board has implemented a formal system of evaluating Board's performance, which is carried out by the NRC, for assessing the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director through the use of a performance assessment checklist. The Board has not engaged any external facilitator to conduct the performance evaluation of the Board, its Board Committees and each individual Director. Where relevant and when the need arises, the NRC will consider such an engagement.

The evaluation of the Board's performance as a whole deals with matters on Board composition, information, process, accountability, performance benchmark, CEO/KMP, risk management and internal controls and standards of conduct. The Board Committees' evaluation deals with the efficiency and effectiveness of each Board Committee in assisting the Board. The criteria for the evaluation of individual Directors include, among others, the Directors' attendance and participation at Board and Board Committees meetings, understanding of business plans and strategies, and ability to articulate thoughts and opinions in a clear and concise manner.

Each Director is required to objectively assess his or her personal performance and collectively, the performance of the Board as a whole and its Board Committees. For FY 2021, each Director completed the performance assessment checklists and returned them to the Company Secretary. The Company Secretary has compiled the results of the evaluation and tabled the summary for the NRC's review. The NRC is satisfied that:

- All performance objectives for FY 2021 have been met for the Board, Board Committees and for each individual Director; and
- Each Independent Director has met and continues to meet the requirements of the 2018 Code.

Pursuant to the NRC's review, the Board is satisfied that it has achieved its performance objectives for FY 2021.

The Manager believes that the Board's performance is reflected in the long-term success of the REIT. The Board's performance is reviewed once a year by the NRC.

REMUNERATION MATTERS

Procedure for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

While the Manager is not a listed entity, the Board has established the NRC to review and make recommendations to the Board on (i) a framework of remuneration for the Board and KMP; and (ii) the specific remuneration packages for each Director and KMP to ensure that the remuneration payable is in line with the objectives of its remuneration guidelines.

The NRC comprises at least three (3) Directors. All members of the NRC are Non-Executive Directors, all of whom, including the NRC Chairman, are independent.

The NRC assists in reviewing and recommending to the Board a general framework of remuneration for the Board and KMP of the Manager that is market competitive and a compensation strategy that helps to support the Manager's objective of attracting, rewarding and retaining performing employees. The NRC also assists in reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the KMP, and employees related to the Directors, the CEO or Substantial Shareholders or employees who are Substantial Shareholders themselves. The NRC considers all aspects of remuneration, including termination terms, to ensure they are fair.

No remuneration consultants were engaged in FY 2021.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The REIT is externally managed by the Manager and accordingly has no personnel of its own. Remuneration of all Directors and employees of the Manager are paid by the Manager and not by the REIT. The Manager adopts the principle that remuneration for the Board and Management should be assessed holistically. The remuneration structure supports the continuous development of the management bench strength to ensure robust talent management and succession planning. While the Manager is not a listed entity, the Board has established the NRC. As regards remuneration policies, the terms of reference of the NRC include:

- Reviewing and recommending to the Board a general framework of remuneration for the Board and the executive officers;
- Reviewing the REIT's obligations arising in the event of termination of Executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses;
- Developing an assessment matrix to review the performance, consider and recommend to the Board on the appropriate quantum of remuneration in view of a Director's level of contributions, taking into account his or her responsibilities and time spent;
- Setting the remuneration policy for Directors (both Executive Directors and Non-Executive Directors) and KMP;
- Monitoring the level and structure of remuneration for KMP relative to the internal and external peers and competitors;
- Reviewing the remuneration of employees related to the Directors, CEO or Substantial Shareholders or employees who are Substantial Shareholders, if any, to ensure that their remuneration packages are in line with employee remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. Any bonuses, pay increases and/or promotion for these related employees will also be subject to the review and approval of the NRC;
- Obtaining reliable, up-to-date information on the remuneration practices of other companies and the relevant market benchmarks through the appointment of external consultants. Such information can also be obtained by commissioning or purchasing any appropriate reports, surveys or information at the expense of the Manager, subject to the budgetary constraints imposed by the Board;
- Overseeing any major changes in employee benefits or remuneration structures; and
- Reviewing the design of all long-term and short-term incentive plans for approval by the Board and Unitholders.

The NRC recommends a framework of remuneration for the Board and KMP to the Board for endorsement. There is a formal and transparent procedure for fixing the remuneration packages of the Directors. No individual Director is involved in fixing his or her own remuneration. Independent Directors are paid Directors' fees annually on a standard fee basis.

The NRC operates on delegated authority from the Board. The Manager has put in place a remuneration policy with an aim toward retention of talent, building the strength of management, and developing key executives. This ensures that the business of the Manager remains sustainable, and provides a stable environment with room for continual growth and improvement.

CORPORATE GOVERNANCE

The NRC reviews the terms and conditions of service agreements of the CEO and KMP before their execution. In the course of such review, the NRC will consider the Manager's obligations arising in the event of termination of the CEO and KMP, to ensure that the service agreements contain fair and reasonable termination clauses and are not overly generous so as to avoid rewarding poor performance.

In establishing the remuneration structure of the CEO and KMP, the NRC ensures that the level and mix of remuneration is competitively benchmarked against the relevant industry market rates and tied to the performance of the Manager and the individual employee. The NRC also exercises independent judgment in ensuring that a significant and appropriate proportion of the KMP's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration is aligned with the interests of Unitholders and other stakeholders and promotes long-term success and sustainable growth of the REIT. The remuneration package of the CEO and KMP comprises a base fixed cash component, including the base salary and compulsory employer contribution to the key executive's Central Provident Fund ("CPF") account, and a variable cash component.

The variable cash component is linked to whether the CEO and KMP meet performance targets. Such performance-centric remuneration is linked to the achievement of corporate and individual performance targets, both in terms of short and long-term quantifiable objectives, as well as to support the ongoing enhancement of Unitholder value.

The CEO and KMP are paid in cash only and do not receive any remuneration in Units.

The Manager believes the current remuneration framework it has in place allows it to attract sufficiently qualified talent. While the approach reflects a pay-for-performance culture, it is also designed to attract, motivate and retain high performing and high potential directors in their respective field of expertise to provide good stewardship of the Manager and KMP to successfully manage the REIT for the long term. Each employee's salary comprises a fixed component and a variable component. The fixed component consists of the base salary and compulsory contributions to the employee's CPF account. The variable component consists of an annual bonus plan, which is linked to the performance of the employee across the preceding year. Further, the Manager may grant to each employee an Annual Wage Supplement.

Fees received by each Independent Director consist only of Director's fees component, which is paid in cash. Such fees are appropriate to their level of contribution, taking into account factors such as effort, time spent, and responsibilities. In addition, the Manager also conducted a benchmarking process to ensure that the Directors' fees are in line with the market. Provision 7.2 of the 2018 Code on the remuneration of the Non-Executive Non-Independent Directors does not apply to the Manager as the Non-Executive Non-Independent Directors of the Manager do not receive any fees. They are salaried employees of other entities of the Beijing Hualian Group. The Manager is accordingly of the view that despite this deviation from Provision 7.2 of the 2018 Code, its practice is consistent with the intent of Principle 7 of the 2018 Code as a whole. Directors and KMP are not paid in Units.

The Directors' fees for Independent Directors for FY 2021 are set out as follows:

Independent Director	S(\$)
Mr Francis Siu Wai Keung	98,000
Mr Ben Yeo Chee Seong	87,000
Mr Lau Teck Sien	85,000

The Manager does not use contractual provisions to allow the Manager to reclaim incentive components of remuneration from the CEO and KMP in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Manager. The CEO owes a fiduciary duty to the Manager. The Manager should be able to avail itself to remedies against the CEO in the event of such breach of fiduciary duties.

The Board has not included a separate annual remuneration report to the Unitholders in the Annual Report on the remuneration of Directors and the top five (5) KMP (who are not Directors or the CEO of the Manager) as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this Report and in the financial statements of the Manager.

Provision 8.1 of the 2018 Code and the MAS Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (Notice No: SFA4-N14) require REIT managers to disclose (1) the remuneration of the CEO and each individual Director on a named basis, with a break down (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/ fixed salary, variable or performance-related income/bonuses, benefits-in-kind, stock options granted, share-based incentives and awards and other long-term incentives; and (2) the remuneration of at least the top five (5) KMP (who are not also Directors or the CEO), on a named basis, in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these KMP.

The Manager is of the view that despite the deviation from Provision 8.1 of the 2018 Code and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (Notice No: SFA4-N14), the disclosures in this Annual Report would provide sufficient information to Unitholders on the Manager's remuneration policies and the level and mix of remuneration accorded to such personnel, while balancing the confidential and commercial sensitivities associated with remuneration matters. Further, the Board has assessed and decided against such disclosure of the remuneration of the CEO and top five (5) KMP and believes that the interests of the Unitholders will not be prejudiced as a result of such non-disclosure, for the following reasons:

- Remuneration matters for the CEO and top KMP are sensitive and confidential matters;
- There is competition for talent in the REIT industry, and it is the view of the Manager that it would be in the interests of the Unitholders not to reveal the remuneration in order to maintain continuity of business; and
- Remuneration is paid by the Manager, and all fees payable to the Manager have been detailed in full in this Annual Report.

The Manager is accordingly of the view that despite this partial deviation from Provision 8.1 of the 2018 Code, its practice is consistent with the intent of Principle 8 of the 2018 Code as a whole. For the above reasons, Unitholders' interests are not prejudiced by the partial deviation.

There were no employees who were Substantial Shareholders of the Manager, Substantial Unitholders of the REIT, or were immediate family members of a Director, the CEO, a Substantial Shareholder of the Manager or a Substantial Unitholder of the REIT during FY 2021 and whose remuneration exceeds S\$100,000 during the year. Based on the Listing Manual of the SGX-ST, "Immediate family" in relation to a person, means the person's spouse, child, adopted child, step-child, sibling and parent.

No remuneration or compensation was paid or is to be paid in the form of share options, since the Manager does not currently have any plan to implement share option or share incentive schemes. However, this does not rule out the possibility of the Manager doing so in the future.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard the Unitholders' interests and the REIT's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives and value creation.

The Manager recognises the importance of having in place an effective, adequate and sound system of risk management and internal control. Accordingly, Deloitte & Touche Enterprise Risk Services Pte Ltd ("**Deloitte**") was engaged as internal auditors to provide professional input in the assessment of the Manager's existing internal controls.

Further, the Manager has further engaged KPMG Services Pte. Ltd. ("**KPMG**") to conduct semi-annual reviews to mitigate the risk of non-compliance with regulatory requirements. The ARC is kept updated on findings reported by Deloitte and KPMG, and the ARC takes these findings into consideration when assessing the Manager's risk appetite. The Manager has also adopted an Enterprise Risk Management ("**ERM**") Framework, which formalises the Manager's risk management and internal controls practice. For FY 2021, the Manager has conducted two Control Self-Assessment Exercises on itself and on its subsidiaries to evaluate its ERM Framework. More information on the ERM Framework can be found in the Enterprise Risk Management section of this Annual Report.

Based on the internal controls established and maintained by the Manager, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, as well as the said assurances set out below, the Board is satisfied and the ARC concurs with the Board that the Manager's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2021 to address the risks taking into account the nature, scale and complexity of the Manager's operations. For FY 2021, the Board has received written assurances from:

- the CEO and Chief Financial Officer ("**CFO**") that, as at 31 December 2021, the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- the CEO and the relevant KMP that the system of internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place were adequate and effective as at 31 December 2021 to address the risks that the Group considers relevant and material to its business operations.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board notes that no system of internal controls and risk management systems can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The Manager has established the ARC. Furthermore, Management, with the assistance of Deloitte and KPMG, regularly reviews the REIT's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.

Audit and Risk Committee

Principle 10: The Board has an Audit and Risk Committee which discharges its duties objectively.

The Manager keeps the Unitholders updated on the REIT's financial performance, position and prospects through periodic financial reports and business updates. In its presentation of the financial results, the Board strives to provide reports that are easily understandable of the REIT's financial position, its results, and its prospects.

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

Management is accountable to the Board and presents financial statements/management accounts and its accompanying explanations of the REIT's performance, position and prospects to the ARC and the Board for review and/or approval on a semi-annual basis or as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the REIT's performance, financial position and prospects.

The ARC comprises the following three (3) members, all of whom, including the Chairman, are Non-Executive Independent Directors:

Mr Francis Siu Wai Keung	Chairman
Mr Ben Yeo Chee Seong	Member
Mr Lau Teck Sien	Member

The Board is of the opinion that at least two (2) members, including the ARC Chairman, have recent and relevant experience in audit, accounting and fund management. Further, the ARC meets on a semi-annual basis. During ARC meetings, they may be briefed and updated on any changes to accounting standards and issues which have a direct impact on financial statements. Accordingly, they are qualified to discharge the ARC's responsibilities.

Following the amendments to Rule 705(2) of the Listing Manual of the SGX-ST, which took effect on 7 February 2020, the Manager announced on 14 April 2020 that the REIT will adopt the announcement of half-yearly financial statements with effect from FY 2020, commencing with the financial results announcement for the six-months period ended 30 June 2020. The Manager will still provide business updates to Unitholders in relation to the performance of the REIT over the first and third quarters of each financial year, commencing with the first quarter ended 31 March 2020. For the first and third quarters of FY 2021, when no ARC meetings were scheduled, the ARC was invited to attend the Management meeting to review the quarterly financial performance and to receive business and/or operational updates from Management.

The ARC is authorised by the Board to investigate any matters within its terms of reference. Management is required to provide the full cooperation in providing information and resources, and in implementing or carrying out all requests made by the ARC. The ARC has direct access to the internal and external auditors and full discretion to invite any Director or KMP to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the ARC.

CORPORATE GOVERNANCE

The ARC is regulated by a set of written terms of reference and its principal functions include:

- Reviewing significant financial reporting issues and key areas of management judgment so as to ensure the integrity of the financial statements of the Manager and any announcements relating to the Manager's financial performance;
- Monitoring the integrity of the financial information provided by the Manager, in particular, by reviewing the relevance and consistency of the accounting standards used by the REIT (i.e. entity level) and for the Group (i.e. consolidation level);
- Keeping abreast of changes in accounting standards and issues which have a direct impact on financial statements;
- Overseeing and review the adequacy and effectiveness of the risk management function including the plans, activities, staffing, budget, resources and organisational structure;
- Reviewing risk management and capabilities including risk identification, risk systems, risk management training, risk communication channels, crisis readiness and recovery capabilities;
- Reviewing, on an annual basis, the adequacy and effectiveness of the risk management and internal control systems with respect to financial, operational, compliance, and information technology controls;
- Reviewing and monitor Management's responsiveness to the risk mitigating actions;
- Reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of the REIT's internal controls and risk management systems;
- Reviewing the assurance from the CEO and the CFO on the financial records being properly maintained and the financial statements giving a true and fair view of the REIT's operations and finances;
- Monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual of the SGX-ST and the provisions of the Property Funds Appendix;
- Monitoring the procedures established to ensure compliance with the provisions of the Listing Manual of the SGX-ST relating to interested person transactions, and the provisions of the Property Funds Appendix relating to interested party transactions (collectively, "Related Party Transactions");
- Reviewing the effectiveness, independence, adequacy, scope and results of the external audit and the internal audit function, audit reviews, the annual audit plan and the internal audit reports, including the adequacy of internal audit resources and its appropriate standing within the REIT;
- Overseeing the Manager's relations with the external auditors, including its audit scope, approach, remuneration and terms of engagement;
- Making recommendations to the Board on the nomination for the appointment, re-appointment and removal of external and internal auditors, and approving the remuneration and terms of engagement of the external and internal auditors;
- Monitoring and assess annually whether the external auditors' independence or objectivity is impaired. The factors to consider include the amount of fees for audit and non-audit services provided by the external auditors;
- Discussing key audit matters with the external auditors and ascertain if there are any follow-up actions which should be taken to reduce the extent of uncertainty and corresponding need for judgment for future periods;
- Ensuring that the external auditors have direct and unrestricted access to the Chairman of the ARC and the Chairman of the Board;
- Ensuring that there are programs and policies in place to identify and prevent fraud; and
- Reviewing the Whistleblowing Policy and arrangements put in place by which employees and external parties may, in confidence, safely raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up actions.

The ARC is responsible for the nomination of internal and external auditors. Further, the ARC is empowered to investigate any matters that fall within its terms of reference at any time it deems necessary to do so. Management cooperates fully with the ARC in such circumstances.

The ARC has full access to and the cooperation of Management and reasonable resources to enable it to discharge its functions properly. The ARC meetings are held with the external auditors and by invitation, any Director and representatives from Management. The ARC also meets with the external and internal auditors, in each case, without the presence of Management, at least annually, to discuss any problems and concerns they may have. The ARC had met with the internal and external auditors, Deloitte and Messrs KPMG LLP respectively, in the absence of Management during FY 2021.

The ARC reviewed the nature and extent of non-audit services provided by the external auditors during FY 2021 and the fees paid for such services, and is of the opinion that they would not affect the independence of the external auditors. The external auditors have also provided confirmation of their independence to the ARC. The aggregate amount of fees paid and payable to the external auditors for FY 2021 in respect of the audit services is approximately S\$379,000 and non-audit fees is approximately S\$31,000. The ARC confirms that the non-audit services provided by the external auditors would not affect their independence.

The Manager confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the Listing Manual of the SGX-ST.

The Manager has established a Whistleblowing Policy, which is overseen by the ARC. The Whistleblowing Policy sets out the procedures for any suspected fraudulent or wrongful act, corruption or other improprieties by the Manager's Directors, officers or employees to be reported, and for the independent investigation of any reports and appropriate follow-up action to be taken. The objective of this policy is to provide a channel by which employees of the Manager or any other persons may, in confidence, safely raise their concerns to the Independent Chairman of the ARC about possible improprieties in matters of financial reporting or other matters in a responsible and effective manner. Under the whistleblowing policy, the whistleblower's identity will be kept confidential, unless disclosure is required by the court or other regulatory authorities. The Manager is committed to ensuring protection of the whistleblower against detrimental or unfair treatment. The Manager does not tolerate the harassment or victimisation of anyone reporting a genuine concern in good faith. Furthermore, no person should suffer reprisal as a result of reporting a genuine concern. The ARC reviews all whistleblowing reports at its scheduled meetings. Investigation of such reports are conducted by an independent review committee and appropriate follow-up actions are taken. The outcome of each investigation is reported to the ARC.

In the review of the Group's financial statements, the ARC discussed with Management the accounting principles that were applied and considered the clarity of key disclosures in the financial statements. In addition, the ARC reviewed, amongst other matters, the key audit matter, as reported by external auditors for the financial year ended 31 December 2021, relating to the valuation of investment properties.

The ARC reviewed the outcome of the established valuation process and discussed the details of the valuation with Management. The ARC considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation of investment properties. The ARC is satisfied with the valuation process, the methodologies used, and the valuation of the investment properties as adopted and disclosed in the financial statements.

The ARC members take measures to keep abreast of changes of accounting standards and issues which have a direct impact on financial statements through attending training and seminars as well as receiving updates from the external auditors.

CORPORATE GOVERNANCE

The ARC does not comprise former partners of the REIT's incumbent external auditors, Messrs KPMG LLP (a) within a period of two (2) years commencing from the date of their ceasing to be partners of Messrs KPMG LLP; or (b) who have any financial interest in Messrs KPMG LLP.

The Board recognises the importance of maintaining a system of internal controls, procedures and processes for safeguarding the Unitholders' investment and the Manager's and the REIT's assets.

The internal audit function has been outsourced to an independent external service provider, Deloitte. To ensure that it performs its function adequately and effectively, Deloitte employs suitably qualified staff with the requisite skill sets and experience. The ARC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The ARC also reviews the needs of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management and the external auditors.

During FY 2021, Deloitte has conducted an audit review based on the approved internal audit plan. The results of the review were reported to the ARC. Key findings were highlighted for follow-up action. The ARC has reviewed the internal audit function and has concluded that the internal audit function was independent, effective and adequately resourced.

The ARC is satisfied that the appointed internal auditors are adequately qualified (given, inter alia, its adherence to standards set by internationally recognised professional bodies) and resourced, and has the appropriate standing in the Manager to discharge its duties effectively and independently. The internal auditors plan their internal audit schedules in consultation with, but independently of, Management and their plan is submitted to the ARC for approval prior to the beginning of each year. The primary reporting line of the internal audit function is to the ARC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to the Manager's documents, records, properties and employees, including access to the ARC, and has appropriate standing within the Manager.

The ARC reviews and approves the internal audit plan on an annual basis to ensure the adequacy of the scope of audit. The ARC also reviews the needs of the internal audit function on a regular basis, including overseeing and monitoring the implementation of the improvements required for various internal control weaknesses identified by Management and the external auditors.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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. The Manager informs the Unitholders of the rules governing general meetings, and they are entitled to attend general meetings and are accorded the opportunity to participate effectively in and vote at general meetings. Unitholders will receive the notices of general meetings and may download these notices from the REIT's website at <http://www.bhgreit.com/> (the "**REIT Website**"). Notices of the general meetings will also be published on SGXNet. The Manager tables separate resolutions at general meetings of Unitholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager explains the reasons and material implications in the notice of meeting. Resolution by poll is carried out systematically with proper recording of votes cast and the resolutions passed.

Representatives of the Trustee, all the Directors (including the chairpersons of the Board, the ARC and the NRC), the Manager's senior management and the external auditors, are present at general meetings to address any queries that Unitholders may have. A record of the Directors' attendance at the general meeting can be found in the records of their attendance of meetings set out at page 33 of this Annual Report. Before and after the general meetings, the Chairman and other members of the Board will actively engage in dialogue with Unitholders, to gather views or inputs, and address Unitholders' concerns. Such interactions allow the Board to understand and consider the views and feedback from Unitholders and the Investment Community before formulating its key strategic decisions.

In view of the COVID-19 pandemic, the previous general meeting held in FY 2021 was, and the forthcoming AGM to be held on 28 April 2022 ("**AGM 2022**") will be, held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Temporary Measures Order**"). Alternative arrangements relating to attendance at the AGM 2022 (including arrangements by which the AGM 2022 can be electronically accessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of the AGM 2022, addressing of substantial and relevant questions prior to or at the AGM 2022 and voting by appointing the chairman of the meeting as proxy at the AGM 2022) are set out in the Manager's announcement titled "Annual General Meeting to be held on 28 April 2022". The description below sets out the REIT's usual practice for Unitholders' meetings when there are no pandemic risks and the COVID-19 Temporary Measures Order is not in operation.

For greater transparency, the Manager has implemented electronic poll voting at general meetings. This entails Unitholders being invited to vote on each of the resolutions by poll, using an electronic voting system (instead of voting by hands), thereby allowing all Unitholders present or represented at the meeting to vote on a one Unit, one vote basis. The voting results of all votes cast for, against, or abstaining from each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings. The Manager will continue to use the electronic poll voting system at the forthcoming annual general meeting. As the authentication of Unitholder identity and other related security and integrity issues still remain a concern, the Manager has decided for the time being, not to implement absentia voting methods such as voting via mail, e-mail or fax (as recommended by Provision 11.4). The Manager is of the view that despite this deviation from Provision 11.4 of the 2018 Code, its practice is consistent with the intent of Principle 11 of the 2018 Code as Unitholders have opportunities to communicate their views on matters affecting the REIT even when they are not in attendance at general meetings, through the investor relations contact indicated on the REIT Website.

The Unitholders who are unable to attend meetings are provided with the option to appoint up to two (2) proxies, who may then attend and vote in his or her place at the general meetings via proxy forms submitted in advance (i.e. not less than forty-eight (48) hours before the time appointed for holding the general meeting). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two (2) proxy limitation, and are able to appoint more than two (2) proxies to attend, speak and vote at general meetings. The proxy form is sent with the notice of general meetings to Unitholders.

The minutes of Unitholders' meetings which capture the attendance of Board members at the meetings, matters approved by Unitholders, voting results and substantial and relevant comments or queries from Unitholders relating to the agenda of the general meeting together with responses from the Board and Management, are prepared by the Manager. These minutes are made available on the REIT Website as soon as practicable.

CORPORATE GOVERNANCE

In accordance with the Prospectus for Initial Public Offering of the REIT dated 2 December 2015, the REIT's distribution policy is to distribute 100.0% of the REIT's Distributable Income for the Forecast Period 2015 and the Projection Year 2016. Thereafter, the REIT will distribute at least 90.0% of its Distributable Income for each financial year. For FY 2021, the Manager had made a distribution of 1.12 Singapore cents per unit for the period from 1 January 2021 to 30 June 2021 on 28 September 2021, and a second distribution of 1.05 Singapore cents per unit for the period from 1 July 2021 to 31 December 2021 on 31 March 2022.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Manager encourages the Unitholders' participation during the general meetings. The Unitholders are able to engage with the Board and Management on the REIT's business activities, financial performance and other business-related matters during such meetings. Resolutions are passed through a process of voting and Unitholders are entitled to vote in accordance with established voting rules and procedures.

The Manager prides itself on its high standards of disclosure and corporate transparency. The Manager aims to provide accurate, objective and timely information regarding the REIT's performance and progress and matters concerning the REIT and its business which are likely to materially affect the price or value of the Units, to Unitholders and the investment community, to enable them to make informed investment decisions. Further, the Manager has established procedures to ensure current Unitholders are informed in advance of meetings. They are encouraged to attend and participate in the process of these meetings, especially if they have questions regarding the resolutions that have been put up to be decided upon.

The Manager's dedicated Investor Relations ("IR") Manager is tasked with, and focuses on, facilitating communications between the REIT and its Unitholders, as well as with the investment community, analysts and the media. An IR policy is in place to promote regular, timely, accurate and fair communications. Contact details of the IR Manager are available on the REIT Website for Unitholders, investors and other stakeholders to channel their comments and queries.

Continuous and informed dialogue between the Manager and Unitholders is a central tenet of good corporate governance. Regular engagement between these parties will promote greater transparency. Material and other pertinent information such as press releases and presentation slides are released to the SGX-ST via SGXNET and the REIT Website. Both announcements through the REIT Website and the SGXNET are the principal media of communication with Unitholders. In FY 2021, the CEO and IR Manager have met with potential investors and analysts through meetings and roadshows. Further details on the various activities organised by IR during the year can be found in the IR section on pages 74 to 76 of this Annual Report.

An electronic copy of the FY 2021 Annual Report has been uploaded on the REIT Website. Unitholders can access the FY 2021 Annual Report at <http://bhgreit.listedcompany.com/ar.html>.

The Trust Deed constituting the REIT is also available for inspection upon request at the Manager's office.¹

¹ Prior appointment with the Manager is appreciated.

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board's role includes considering sustainability as part of its strategic formulation. The Manager adopts an inclusive approach for the REIT by considering and balancing the needs and interests of material stakeholders, as part of the overall strategy to ensure that the best interests of BHG Retail REIT are served. The Manager is committed to sustainability and incorporates the key principles of environmental and social responsibility, and corporate governance in the REIT's business strategies and operations. The Manager has arrangements in place to identify and engage with material stakeholder groups and to manage the REIT's relationships with such groups. Such arrangements include maintaining the REIT Website, which is kept updated with current information to facilitate communication and engagement with the REIT's stakeholders.

ADDITIONAL INFORMATION

Dealings in BHG Retail REIT Units

The Manager has adopted an internal compliance standard operating policy to provide guidance to its Directors, key officers and employees in respect of dealings in the REIT's Units. The policy permits the Directors and the Manager's key officers and employees to purchase Units, but sets clear limits on the transaction:

- Any officer or employee who wishes to purchase Units must complete a Staff Dealing Application Form and obtain approval from the Compliance Manager, CEO and Chairman of the Manager;
- If the REIT's financial results are reported semi-annually, a blackout period will be imposed one month prior to the half year and full year announcements of the REIT's financial results. If the REIT's financial results are reported quarterly, a blackout period will be imposed two weeks prior to the announcement of the REIT's financial results for each of the first three quarters of the financial year, and one month prior to the full year announcement of the REIT's financial results. During the blackout period, Directors, key officers and employees and related companies of the Beijing Hualian Group are strictly prohibited from dealing in Units; and
- Directors, key officers and employees are further prohibited from dealing in Units if they are in possession of insider information.

Directors, officers and employees should not deal in Units on short-term considerations.

Conflict of Interests

The Manager has established the following controls to deal with potential conflicts of interest:

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as the REIT;
- All key executive officers will work exclusively for the Manager and will not hold other executive positions in other entities;
- In respect of matters in which a Director or his or her associates (as defined in the Listing Manual of the SGX-ST) has an interest, direct or indirect, such Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors (excluding such Interested Directors);
- All resolutions in writing of the Directors in relation to matters concerning the REIT must be decided by at least a majority vote of the Directors (excluding any Interested Director), including at least one (1) Independent Director;
- At least one-third (1/3) of the Board shall comprise Independent Directors;

CORPORATE GOVERNANCE

- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from deliberation and voting on such matters. In such matters the quorum must comprise a majority of the Independent Directors and must exclude Nominee Directors of the Sponsor and/or its subsidiaries. The Manager is an indirect wholly owned subsidiary of the Sponsor; and
- The Manager will ensure that the Property Manager puts in place the necessary procedures to prevent the unauthorised disclosure of confidential information relating to the REIT.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of the REIT with a related party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the Manager (including its Independent Directors) will have a duty to ensure that the Manager so complies. Further, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the REIT with a related party of the Manager and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Related Party/Interested Person Transactions

The Manager has established controls and reporting measures for handling Related Party/Interested Person Transactions. These ensure that such transactions are conducted on normal commercial terms and do not prejudice the interest of the Unitholders.

Further, the Manager maintains a register to record all transactions which may be considered as Related Party/Interested Person Transactions. The register is subject to regular review by the ARC in ensuring that the Manager conducts itself in accordance with the Listing Manual of the SGX-ST and the Property Funds Appendix of the Code on Collective Investment Schemes ("**CIS**") Code.

Transactions (whether a single transaction or a series of transactions involving the same Interested Person calculated together in aggregate over the course of the financial year) which exceed S\$100,000 in value but are below 3% of the REIT's net tangible assets are subject to review by the ARC and the Trustee.

Transactions (whether a single transaction or a series of transactions involving the same Interested Person calculated together in aggregate over the course of a financial year) which are valued between 3% to 5% of the REIT's net tangible assets are subject to an announcement by the Manager to the SGX-ST via SGXNET, and are further subject to review by the ARC and the Trustee prior to the Manager undertaking the transaction.

Transactions (whether a single transaction or a series of transactions involving the same Interested Person calculated together in aggregate over the course of a financial year) which are valued at 5% and above of the REIT's net tangible assets are subject to an announcement by the Manager to the SGX-ST via SGXNET, approval from the Unitholders prior to the transaction being entered to, and are further subject to review by the ARC, the Trustee, and an independent financial adviser. The Interested Person Transactions undertaken by the Manager are set out at the Interested Person Transactions section of this Annual Report.

Fees Payable to the Manager

Under the CIS Code, the Manager must justify the fees that are payable out of the deposited property of the fund, detailing the methodology and justification of each type of fee. The methodology for computing each type of fee is documented under Note 1 of the Notes to Financial Statements. The Manager earns a management fee for the management of the REIT's portfolio. For FY 2021, the Manager has elected to receive 100% of its management fee in the form of cash. The fee comprises two (2) components: the base fee and performance fee, which are detailed as follows:

- **Base Fee**

The base fee is calculated as a percentage of the distributable income and is payable on a quarterly basis. This fee allows the Manager to cover administrative and operation overheads. The Manager is entitled to receive a base fee not exceeding 10.0% per annum (or such lower percentage as the Manager may determine in its absolute discretion) of the annual distributable income. The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the base fee shall be payable quarterly in arrears.
- **Performance Fee**

The performance fee is calculated based on an objective which aligns with the interest of Unitholders as a whole – it is payable only if the DPU in any financial year exceeds the DPU in the preceding financial year. The Manager is entitled to receive a performance fee of 25.0% per annum of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The Manager may elect to receive the fee in cash, Units, or a combination of cash and Units in any proportion it may determine, and the performance fee shall be payable annually.

For the purpose of computation of the performance fee, the DPU is calculated based on all income arising from the operations of the REIT. These include, but are not limited to, rentals, interest, dividends and other similar payments and income arising from the authorised investments of the REIT, but exclude one-off income such as income arising from any sale or disposal of real estate (whether directly or indirectly through one or more SPVs) or any part thereof, and any investments forming part of the deposited property or any part thereof. For the purpose of computation of the performance fee for FY 2021, the DPU for 2021 (being 1 January 2021 to 31 December 2021, both dates inclusive) is compared against the DPU in 2020. This method of computation is provided for in the Trust Deed.
- **Other Fees – Acquisition Fee**

The Manager is also entitled to an acquisition fee under clause 15.2 of the Trust Deed. This is earned upon the completion of an acquisition. The acquisition fee serves as an incentive and motivation for the Manager, as the Manager will expend a substantial amount of time, effort and resources in locating, reviewing and completing the acquisition process with the aim of growing the REIT's portfolio and providing the Unitholders with regular and stable distributions. The fee is equivalent to 0.75% for acquisitions from Related Parties/Interested Persons and 1.0% for all other cases. In accordance with the Property Funds Appendix, where the Manager receives a percentage-based fee when the REIT acquires real estate from a Related Party/Interested Person, the acquisition fee should be in the form of Units issued by the REIT, and these Units may not be sold within one (1) year from the date of their issuance.
- **Other Fees – Divestment Fee**

The Manager is entitled to a divestment fee under clause 15.2 of the Trust Deed, and is earned upon the completion of a divestment. The payment of the fee seeks to incentivise and motivate the Manager in actively seeking to maximise the value of the REIT by optimising its portfolio. The fee is equivalent to 0.50% for divestments. In accordance with the Property Funds Appendix, where the Manager receives a percentage-based fee when the REIT divests real estate to a Related Party/Interested Person, the divestment fee should be in the form of Units issued by the REIT, and these Units should not be sold within one (1) year from the date of their issuance.