



BHG RETAIL REIT

(A real estate investment trust constituted on 18 November 2015
under the laws of the Republic of Singapore)

**RESPONSE TO SGX-ST'S QUERY ON THE ANNUAL REPORT FOR THE
FINANCIAL YEAR ENDED 31 DECEMBER 2019**

BHG Retail Trust Management Pte. Ltd., as manager of BHG Retail Real Estate Investment Trust (“**BHG Retail REIT**”, and as manager of BHG Retail REIT, the “**Manager**”) sets out its response to the query raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 28 April 2020 in relation to BHG Retail REIT’s Annual Report for the financial year ended 31 December 2019 (“**Annual Report**”), as follows:

SGX-ST Query:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “**Code**”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1(b) of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Response:

Provision 8.1(b) of the Code provides that “The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.”

BHG Retail REIT had deviated from Provision 8.1(b) by not disclosing the “names, amounts and breakdown of remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel”.

The Manager had provided its explanation for this deviation at page 38 of the Annual Report which states that:

“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.”

Further, pages 34 to 38 of the Annual Report had explained the policy and criteria for setting the remuneration of the key management personnel, and demonstrated the relationships between remuneration, performance and value creation by providing, among others, that:

“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.”

For the aforementioned reasons already disclosed in the Annual Report, the Manager is of the view that its practice is consistent with the intent of Principle 8 of the Code as a whole.

BY ORDER OF THE BOARD

BHG Retail Trust Management Pte. Ltd.

(as manager of BHG Retail Real Estate Investment Trust)

(Company Registration No. 201504222D)

Chan Iz-Lynn

Chief Executive Officer

4 May 2020

IMPORTANT NOTICE

This announcement may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view on future events.

The value of Units and the income derived from them, if any, may fall or rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or any of its affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem or purchase their Units for so long as the Units are listed on the SGX-ST. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. The listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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The Units are not being registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from registration under the Securities Act.