

# CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE REPORT

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Cache Logistics Trust (“**Cache**”) is a Real Estate Investment Trust (“**REIT**”) listed on the Main Board of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 12 April 2010. Cache is managed by ARA Trust Management (Cache) Limited (as manager of Cache, the “**Manager**”). The Manager is a subsidiary of ARA Asset Management Limited (“**ARA**”).

Cache was constituted by a deed of trust dated 11 February 2010 (as amended by a first supplemental deed dated 18 March 2010, a second supplemental deed dated 29 September 2014, a first amending and restating deed dated 13 April 2016 and a fourth supplemental deed dated 31 May 2018) (the “**Trust Deed**”) entered into between the Manager, and HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Cache (the “**Trustee**”).

The Trustee and the Manager are independent of each other. The Trustee is responsible under the Trust Deed for the safe custody of the assets of Cache on behalf of the unitholders of Cache (the “**Unitholders**”). The Manager’s main responsibility is to manage the assets and liabilities of Cache in accordance with the Trust Deed and act honestly in the best interest of Unitholders. As required under the licensing regime for REIT managers, the Manager holds the Capital Markets Services (“**CMS**”) Licence issued by the Monetary Authority of Singapore (the “**MAS**”) to carry out REIT management activities.

The Manager is fully committed to sound corporate governance policies and practices and adheres to high standards of conduct in line with the recommendations of the Code of Corporate Governance 2018 (the “**2018 CG Code**”) and the Listing Manual of the SGX-ST (the “**Listing Manual**”) as well as other applicable rules and regulations.

The Manager believes that an effective corporate governance culture is critical to its performance and the success of Cache. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interest of its Unitholders.

The primary role of the Manager is to set the strategic direction on, amongst others, acquisitions, divestments, asset enhancement and capital management, and subject to any feedback from recommendations made to the Trustee, execute the adopted strategy accordingly.

Other functions and responsibilities of the Manager include:

1. using its best endeavours to carry on and conduct its business and operations in a proper and efficient manner and to conduct all transactions with or for Cache at arm’s length;
2. preparing an annual budget proposal including the net income forecast, property expenditure, capital expenditure, and providing explanations for major variances from the previous year’s forecasts, written commentaries on key issues and any relevant assumptions;
3. establishing a framework of prudent and effective controls which enables financial, operational, compliance and information technology risks to be managed;
4. ensuring compliance with the principles and provisions of the 2018 CG Code and other applicable laws, rules and regulations including the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), the Securities and Futures (Licensing and Conduct of Business) Regulations (the “**SF(LCB)R**”), the Listing Manual, the Code on Collective Investment Schemes issued by the MAS (the “**CIS Code**”), Appendix 6 of the CIS Code (the “**Property Funds Appendix**”), the Singapore Code on Takeovers and Mergers, the Trust Deed, the relevant MAS Notices and Guidelines and any tax rulings and all relevant contracts;
5. managing communications with Unitholders; and
6. oversight of the property management services provided by the property managers.

This Corporate Governance Report (this “**Report**”) describes the Manager’s corporate governance framework and practices. The Manager is committed to complying with the principles and provisions of the 2018 CG Code. There are deviations from the provisions of the 2018 CG Code, such as in respect of the formation of a nominating committee and a remuneration committee, the disclosure of remuneration, and the implementation of absentia voting at general meetings of Unitholders. Explanations for such deviations as well as how the practices adopted by the Manager are consistent with the intent of the relevant principles have been provided within this Report.

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## (A) 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 composition of the board of directors of the Manager (the “**Directors**”, and the board of Directors, the “**Board**”) as at 31 December 2019 is as follows:

<b>Mr Lim How Teck</b>	Chairman and Non-Executive Director
<b>Mr Chia Nam Toon</b>	Non-Executive Director
<b>Mr Lim Lee Meng</b>	Lead Independent Non-Executive Director and Chairman of the Audit Committee
<b>Mr Lim Kong Puay</b>	Independent Non-Executive Director
<b>Mr Oh Eng Lock</b>	Independent Non-Executive Director

The Board is entrusted with responsibility for the overall management of the Manager and its corporate governance, to establish goals for the management team of the Manager (the “**Management**”), hold the Management accountable for performance and monitor the achievement of these goals. All Directors are fiduciaries who act objectively in the best interests of Cache. The Board sets an appropriate tone from the top and the desired organisational culture and ensures proper accountability.

The Board is also responsible for the strategic business direction and risk management of Cache. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and appointment of Directors. The Board has established a framework for the management of the Manager and Cache and the framework comprises a system of robust internal controls, risk management processes and clear policies and procedures and sets out the code of conduct and ethics of Cache. The Board also reviews the sustainability issues relevant to its business environment and stakeholders. Where a Director is conflicted in a matter, he or she will recuse himself or herself from the deliberations and abstain from voting on the matter.

The Board has adopted a set of prudent internal controls to safeguard Unitholders’ interests and Cache’s assets. A set of internal guidelines setting out the level of authorisation and financial authority limits for operating and capital expenditure, capital management, leasing and

other corporate matters facilitates operational efficiency, with oversight by the Board. Apart from matters stated below that specifically require approval from the Board, the Board approves transactions which exceed established threshold limits, and delegates its authority for transactions below those limits to the relevant Board Committee, where appropriate.

Matters that are specifically reserved for the Board’s decision and approval include:

- corporate strategies and policies of Cache;
- financial restructuring;
- any material acquisitions and disposals;
- annual budget;
- release of quarterly and full year results;
- audited financial statements;
- issue of new Cache’s units (“**Units**”);
- income distributions and other returns to Unitholders; and
- Interested Person Transactions (i.e. as defined below) of a material nature.

### BOARD COMMITTEE

The Board is supported by its Board Committee, in particular, the audit committee (the “**Audit Committee**”), to assist the Board in discharging its responsibilities and enhancing its corporate governance framework. The Board has delegated specific responsibilities to the Audit Committee and its composition, terms of reference and a summary of its activities are further described in this Report.

The Board accepts that while the Board Committee has the authority to examine particular issues in its specific area, the Board Committee shall report to the Board with its decision(s) and/or recommendation(s) and the ultimate responsibility on all matters lies with the Board.

### Board Meetings

The Board meets regularly to review the Manager’s key activities. Board meetings are held once every quarter (or more often if necessary). Where necessary, additional meetings would be held to address significant transactions or issues requiring the Board’s attention. The Constitution of the Manager allows Directors to convene meetings via teleconferencing, video conferencing or other similar means of communication.

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Prior to Board meetings and on an on-going basis, Management provides complete, adequate and timely information to the Board on Cache's affairs and issues that require the Board's decision. Explanatory background information relating to matters brought before the Board includes quarterly results announcements, budgets and documents related to the operational and financial performance of Cache.

Board meetings for the year are scheduled in advance to facilitate the Directors' administrative arrangements and commitments. Board papers are generally circulated at least three (3) days in advance of each meeting and include background explanatory information for the Directors to prepare for the meeting and make informed decisions. Information provided to the Board include financial results, market and business developments, and business and operational information. Management also highlights key risk issues for discussion and confers with the Audit Committee and the Board regularly.

The CEO keeps all Board members abreast of key developments and material transactions affecting Cache so that the Board is kept fully aware of its affairs, business, financial environment and risks faced by Cache and the Manager. All Directors have separate, independent and unrestricted access to Management, the Company Secretary, the Internal Auditors and the External Auditors (each as defined herein), as well as other external advisers (where necessary), at all times and at the Manager's expense (where applicable).

If a Director is unable to attend the Board meetings, he or she would review the Board papers and advise the Chairman or the chairman of the Board Committee of his or her views on the matters to be discussed and conveyed to other Directors at the meetings. Where appropriate, Management will be requested to attend meetings of the Board and the Board Committee in order to provide their input and insight into the matters being discussed, and to respond to any queries that the Directors may have.

In addition, Directors may request for briefings and discussions with Management on any aspect of Cache's operations and may request for any additional reports and documents requiring the Board's attention. When circumstances require, Board members may exchange views outside the formal environment of Board meetings.

The Company Secretary and/or her authorised designate(s) attend(s) all Board meetings and assist(s) the Board in ensuring that Board procedures and all other rules and regulations applicable to the Manager are complied with. The Company Secretary advises the Board on governance matters and works with the Chairman to ensure that information flows within the Board and the Board Committee and between Management and the

Directors. The Company Secretary will also assist with professional development and training for Directors when required to do so. The appointment and the removal of the Company Secretary shall be reviewed and decided by the Board.

The Manager has in place procedures to enable Directors, whether as a group or individually, to obtain independent professional advice as and when necessary, in furtherance of their duties, at the Manager's expense. The appointment of such independent professional advisors is subject to approval by the Board.

Four Board meetings were held during the financial year ended 31 December 2019 ("FY2019"). The attendance of the Directors at Board meetings and Audit Committee meetings, as well as the frequency of such meetings, are set out below.

## Directors' Attendance at Board and Audit Committee Meetings in FY2019

Directors	Participation	Board Meetings		Audit Committee Meetings	
		Attendance / Number of Meetings	Participation	Attendance / Number of Meetings	Participation
Mr Lim How Teck	Chairman	4/4	NA	–	–
Mr Chia Nam Toon	Member	3/4	NA	–	–
Mr Lim Lee Meng	Member	4/4	Chairman	4/4	4/4
Mr Lim Kong Puay	Member	4/4	Member	4/4	4/4
Mr Oh Eng Lock	Member	4/4	Member	4/4	4/4

## Professional Development

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important impact on Cache and its disclosure obligations, the Directors are briefed on such changes either during a Board meeting, at specially convened sessions by the External Auditors, lawyers and professionals or via circulation of Board papers. Relevant regulatory updates and news releases issued by the SGX-ST, the MAS and the Accounting and Corporate Regulatory Authority will also be circulated to the Board for information.

The Directors receive regular training and are able to participate in conferences, seminars or any training programme in connection with their duties such as those conducted by the Singapore Institute of Directors, SGX-ST and REIT Association of Singapore ("REITAS"). A list of training courses and seminars which might be of interest is sent to the Directors for their consideration. The costs of arranging and funding the training of the Directors will be borne by the Manager. The Manager notes the requirements under the 2018 CG Code and Listing Manual on the training requirements for directors with no prior experience on listed companies. Mr Oh Eng Lock was appointed as an Independent Non-Executive Director with effect from 15 March 2019. Mr Oh Eng Lock has prior experience acting as a director of a listed company.

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Nevertheless, as part of the training programme arranged for Directors during the year, they were invited to attend the “What you need to know as an Independent Director of a REIT manager” seminar conducted by REITAS.

All approved Directors are given formal appointment letters explaining the terms of their appointment as well as their duties and obligations. An induction programme is arranged for new Directors to be briefed on the business activities of Cache and its strategic directions and policies.

## **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 currently comprises five members: two Non-Executive Directors and three Independent Non-Executive Directors. Non-Executive Directors make up the entire Board. Each Director is a well-respected individual from the corporate industry and/or industry circles with diverse experience and network.

The Chairman of the Board is Mr Lim How Teck.

The composition of the Board is determined using the following principles:

1. the Chairman of the Board should be a Non-Executive Director;
2. the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and
3. at least half the Board should comprise Independent Directors.

The Board seeks to refresh its membership and welcomed Mr Oh Eng Lock as Independent Non-Executive Director in FY2019. The appointment of new Directors allows the Board to refresh itself in an orderly and progressive manner, in line with its Board diversity policy and in compliance with the applicable regulatory requirements.

### Independence Composition

The Independent Non-Executive Directors exercise objective judgement on Cache’s affairs and are independent from Management. The independence of each Independent Director is reviewed upon appointment and thereafter annually by the Board through the annual independence declaration. The declaration makes reference to the guidelines set out in the 2018 CG Code and other applicable laws and regulations.

The assessment of a Director’s independence takes into account, among others, the enhanced independence requirements and the definition of “Independent Director” as set out in the SF(LCB)R. An Independent Director is one who: (i) is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, its shareholders who hold 5.0% or more of the voting shares (the “**Substantial Shareholders**”), 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 the Director’s independence business judgement, in the best interests of the Unitholders; (ii) is independent from any management and business relationship with the Manager and Cache and from every Substantial Shareholder of the Manager and any 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 years or longer; and (v) is not employed or has been employed by the Manager or Cache or any of their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or Cache or any of their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board.

Each Independent Non-Executive Director has declared whether there were any relationships or any instances that would otherwise deem him not to be independent. None of the Independent Non-Executive Directors has served for a continuous period of nine years or longer on the Board. The independence declarations have been duly reviewed by the Board. On the basis of the declarations of independence provided, the Board has determined that these Independent Non-Executive Directors are independent as defined under the relevant regulations. Each of the Independent Non-Executive Directors has recused himself from reviewing his own independence.

All Non-Executive Directors contribute to the Board process by monitoring and reviewing Management’s performance against their goals and objectives. Their views and opinions provide alternative perspectives to Cache’s business and enable the Board to make informed and balanced decisions. Non-Executive Directors constructively provide inputs and enable the Board to interact and work with Management to establish strategies.

When reviewing Management’s proposals or decisions, the Non-Executive Directors provide their objective judgement on business activities and transactions involving conflicts of interest and other complexities. The Non-Executive Directors and/or Independent Non-Executive Directors meet without presence of the Management on a needs-basis, as led by the Independent

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Directors, and provide updates to the Board where necessary.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of industry expertise and experience. In particular, the Board's diversity policy strives to ensure that the Board as a whole has the requisite background, and diverse experience and knowledge in business, accounting and finance and management skills critical to Cache's businesses. Collectively and individually, the Directors act in good faith and exercise due diligence and care in the course of their deliberations and, at all times, consider objectively the interests of Cache and its Unitholders.

A healthy exchange of ideas and views between the Board and Management during regular meetings and updates enhances the management of Cache. This, together with a clear separation of roles between the Chairman and the Chief Executive Officer ("CEO"), establishes a healthy and professional relationship between the Board and Management.

In FY2019, the Board determined that its current composition of Independent Directors has made up a majority of the Board, which is in line with the 2018 CG Code, as the Chairman is a Non-Independent Director. In addition, the Board continuously reviews its composition to enhance its independence, by taking into consideration the following factors:

- (i) there are three Independent Non-Executive Directors and two Non-Executive Directors, out of a total of five members. Independent Non-Executive Directors make up 60% of the Board and Non-Executive Directors make up 100% of the Board;
- (ii) there is a newly appointed Independent Non-Executive Director in March 2019, who brings fresh independent perspective to the Board;
- (iii) the Independent Non-Executive Directors have been assessed based on the independence criteria which include (a) length of service not more than nine years, (b) independence from management and business relationships with the Manager and Cache, (c) independence from Substantial Shareholders of the Manager and Substantial Unitholders, and (d) other factors described in Principle 4 of this Report;
- (iv) a Lead Independent Director has been appointed given that the Chairman is a Non-Independent Director. The Lead Independent Director serves in a lead capacity to co-ordinate the activities of the non-executive members in circumstances where it is inappropriate for the Chairman to direct and address matters relating to Cache and its Unitholders; and

- (v) interested Director(s) are required to abstain from voting when passing Board resolutions and the quorum for such matter must comprise a majority of Independent Non-Executive Directors, excluding such interested Director(s).

Based on the above assessment, the Board is of the view that the current composition of Directors, as a group, provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity and that the current Board size is appropriate, taking into consideration the nature and scope of the Cache's operations. In addition, prior approval of the MAS is required for appointment of any Board member or the CEO. The Board will continue to review its composition to ensure that it adheres to the requirements under Principle 2.

Profiles of the Directors and other relevant information are set out on pages 16 to 19 of this Annual Report. There were no Alternate Directors in FY2019.

## **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.*

The roles of Chairman and CEO are separate and held by Mr Lim How Teck and Mr Daniel Cerf respectively. The Chairman and the CEO are not immediate family members. The separation of responsibilities between the Chairman and the CEO facilitates effective oversight and a clear segregation of duties and accountability. This ensures an appropriate balance of power, increased accountability and greater capacity for sound decision making.

The Chairman leads the Board and ensures that its members work together with Management in a constructive manner to address strategies, business operations and enterprise issues. The Chairman also ensures that there is effective communication with Unitholders and promotes a culture of openness and a high standard of corporate governance. The CEO has full executive responsibilities over the business direction and day-to-day operational decisions in relation to the management of Cache, in accordance with the objectives established by the Board. The CEO is a licensed representative approved by the MAS and is resident in Singapore.

Separately, a Lead Independent Director, Mr Lim Lee Meng is available to Unitholders when they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate. The Lead Independent Director also coordinates meeting with other Independent

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Directors as and when required, without the presence of Management and provides feedback to the Chairman.

## **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 has not established a nominating committee (as required under Provision 4.1) as the Board, taking into account the activities of Cache and its current Board composition, considers that the objectives of a nominating committee, as required under Principle 4, are currently achieved by the Board, consistent with the intent under Principle 4 of the 2018 CG Code. Therefore, a separate committee, comprising at least three Directors (including the Lead Independent Director), a majority of whom, including the committee chairman are independent, is not necessary (as required under Provisions 4.1 and 4.2). The Board has assessed its independence element under Principle 2 and is of the view that it can effectively perform the role of a nominating committee.

The Board performs the various functions of the nominating committee, including:

- tabling nominations for appointment and re-appointment to the Board and taking into account the succession plan and framework for the Chairman, the CEO and key management personnel;
- reviewing the structure, size, and composition of the Board;
- reviewing the overall performance and progress of the Board, the Audit Committee and the Directors;
- reviewing the independence of Board members; and
- reviewing the training and professional development of the Board and the Directors.

The Board believes that it can achieve orderly succession and renewal through continuously reviewing the appropriate composition of the Board. This is evident in the changes to the Board composition, as described under Principle 1 above.

## **Process for Appointment of New Directors**

When reviewing and recommending the appointment and re-appointment of new Directors, the Board takes into consideration the current Board's size and mix, and the principles outlined in the subsequent part of this Report. The Board has put in place a process for shortlisting, evaluating and nominating candidates for appointment as Directors. The selection and appointment of candidates

is evaluated through taking into account various factors including the current and mid-term needs and goals of Cache, as well as the relevant background of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations by the Directors or through external referrals where applicable.

## **Criteria for Appointment and Re-appointment of Directors**

The Board reviews each candidate's experience and ability to contribute to the guidance of the Manager in its management of Cache, including attributes such as complementary experience, time commitment, financial literacy, reputation and whether he or she is a fit and proper person in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be competent, honest, to have integrity and be financially sound). The Board also determines whether its members as a whole have the skills, knowledge and experience required to achieve the objectives of Cache.

The Board unanimously approves the appointment of new Directors via Board resolution upon assessing the candidates' profiles and credentials. Once appointed, the Board ensures that new Directors are aware of their duties and obligations. For re-appointment of Directors, the Board assesses the relevant Directors' performance as disclosed under Principle 5 below and these directors shall be re-elected at the Annual General Meeting of the Manager. The Board seeks to refresh its membership progressively, taking into account the balance of skills and experience, tenure and diversity, as well as benchmarking within the industry, as appropriate. No Board member is involved in any decisions relating to his or her own appointment or reappointment.

## **Review of Director's Independence**

The Board itself undertakes the role of determining the independence status of the Directors (as required under Provision 4.4) which was described under Principle 2 above. The independence of each Director is reviewed prior to the appointment and thereafter, annually with reference to the principles and provisions set out in the 2018 CG Code and applicable laws and regulations.

In FY2019, the Board has reviewed the Directors' independence declarations and determined that Mr Lim Lee Meng, Mr Lim Kong Puay and Mr Oh Eng Lock are independent and are free from any of the relationships stated in the 2018 CG Code, the Listing Manual and the SF(LCB)R. The Board has also, prior to the appointment of Mr Oh Eng Lock, received his declaration and has reviewed and determined that Mr Oh Eng Lock is considered to be independent and free from any of the relationships stated in the above relevant regulations.

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## **Annual Review of Directors' Time Commitments**

Although the Directors have other listed company board representations and principal commitments (as set out below on page 94), the Board has determined that each individual Director has devoted sufficient time and attention to his or her role as a Director and to the affairs of the Manager (as required under Provision 4.5) and this is being assessed as part of the Director's performance as disclosed in Principle 5 below. In FY2019, the Directors attended Board meetings, had given feedback and participated constructively when discussing the activities of Cache. The Board has also procured written confirmations from the Directors stating that they are able to carry out their duties as Directors of the Manager and they would address any competing time commitments that may arise, despite their multiple Board representations. The Board is of the view that such external appointments do not hinder the Directors from carrying out their duties.

The Manager is of the view that its practice is consistent with Principle 4 of the 2018 CG Code as the Board can effectively perform the role of the Nominating Committee as a whole.

## **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.*

The Board believes that performance of the whole Board, the Audit Committee, the Chairman and individual Directors are assessed and reflected in their proper guidance, diligent oversight, able leadership and support that they lend to Management. The Board takes the lead to steer Cache in the appropriate direction under both favourable and challenging market conditions. Ultimately, the interests of Cache are safeguarded and reflected in the maximisation of Unitholders' value in the long-term performance of Cache.

As part of the Manager's commitment towards good corporate governance, the Board has implemented a structured process in assessing the performance of the Board as a whole and for its Board Committee and Directors (as required under Provision 5.1). This process is facilitated by the Company Secretary as an external facilitator and it encompasses the use of confidential questionnaire, laying out the performance criteria determined by the Board. This criteria includes an evaluation of the Board's oversight over the performance of Cache, the size and composition of the Board, overall governance and risk framework, Board meeting participation, access to information, as well as standards of individual Director's conduct, independence and performance, and the upkeep of their professional development. The results are aggregated and presented

during the board meetings for overall analysis, and where necessary, follow up actions are taken to enhance the effectiveness of the Board in discharging its duties and responsibilities.

For FY2019, based on the assessment of the Board and individual Director's performance, the Board is satisfied with the result and therefore approves the re-election of the Directors at the Annual General Meeting of the Manager. The Board has also taken on feedback and will arrange an annual discussion amongst its members without the presence of Management.

The Manager is of the view that its practice is consistent with Principle 5 of the 2018 CG Code as the Board can effectively undertake a formal assessment of its effectiveness as a whole and that of its Board Committee and individual Directors.

## **(B) REMUNERATION MATTERS**

### **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES AND LEVEL AND MIX OF REMUNERATION**

*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.*

*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.*

The Board has assessed its independence element under Principle 2 and is of the view that the current composition of Directors provides sufficient strong independence to perform the role of a remuneration committee. Accordingly, the Board has considered that a separate remuneration committee, comprising at least three Directors and all members to be Non-Executive Directors, the majority of whom, including the committee chairman are independent, would not be necessary (as required under Provisions 6.1 and 6.2).

The Board has assessed the remuneration policies and practices of ARA, in lieu of reviewing specific remuneration packages for key management personnel (as required under Provisions 6.1 and 6.3). As a result, the Board has deemed such remuneration policies and practices to be fair and appropriate for Cache. Accordingly, the Manager has adopted the remuneration policies and practices of ARA, which has an established framework for the remuneration, compensation, benefits and succession planning for the Directors and key management executives of the Manager.

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The Manager is of the view that its practice is consistent with Principle 6 of the 2018 CG Code as the Board can effectively perform the role of the Remuneration Committee as a whole.

## Remuneration Framework

The Manager advocates a performance-based remuneration framework. In adopting the remuneration policies and practices of ARA, the Manager ensures that such remuneration policies take into account achieving the long-term success of Cache, which:

- comprise a variable component of key performance indicators (“KPIs”) that are tied to the financial performance of Cache and individuals’ performance related to the organisational goals, aligning with the interests of the Unitholders;
- comprise a fixed pay component that is benchmarked against the market to maintain competitiveness; and
- attract and retain talented staff for the long term, while considering the prevailing market conditions within the industry.

## Link Between Pay and Performance

A comprehensive and structured performance assessment is carried out annually for the CEO and key management executives of the Manager. At the start of the year, KPIs for the CEO and key management executives are discussed and agreed upon to ensure that such indicators are specific, measurable, result-oriented and time-bound. The KPIs could be on financial and non-financial metrics such as performance related to distribution per unit, net asset value and net property income. These KPIs serve to link the rewards to an individual’s and Cache’s performance and deliver overall Unitholders’ value. A mid-year review is carried out to monitor the performance and relevance of these indicators and a year-end review is carried out to measure actual performance against the KPIs. The overall assessment is based on a rating scale, where the variable year-end bonus for the CEO and key management executives are determined.

In addition to the base salary and a variable year-end bonus, designated key management executives of the REIT Manager participate in a Performance Based Bonus Scheme (the “Scheme”). Under the Scheme, designated key management executives of the Manager may be entitled to a pool of incentive payments based on certain performance indicators linked to the growth of Cache and optimising the returns to Unitholders. The incentive payments are paid in cash and allocated amongst the designated key management executives based on various factors and conditions, including seniority, length of service, performance and contributions.

The remuneration of CEO and key management executives is not linked to the gross revenue of Cache. As and when required, the Board will have access to independent remuneration consultants but did not engage any during FY2019 .

In FY2019, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management executives.

## 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 remuneration of the Non-Executive Directors for FY2019 comprises entirely Directors’ fees paid entirely in cash and the details of the Non-Executive Directors’ remuneration are set out below:

Name of Director	Salary (S\$)	Bonus (S\$)	Directors’ Fees (S\$)	Others (S\$)	Total (S\$)
Mr Lim How Teck	–	–	90,000	–	90,000
Mr Lim Lee Meng	–	–	81,000	–	81,000
Mr Lim Kong Puay	–	–	65,000	–	65,000
Mr Oh Eng Lock	–	–	52,000	–	52,000
Mr Chia Nam Toon	–	–	–	–	–
Mr Lim Ah Doo <sup>1</sup>	–	–	17,233	–	17,233
Ms Stefanie Yuen Thio <sup>1</sup>	–	–	13,178	–	13,178

Note:

<sup>1</sup> Resigned on 15 March 2019

Directors’ fees are established annually based on the Directors’ responsibilities on the Board and the Audit Committee. The Board believes that the remuneration for Directors is appropriate to attract, retain and motivate the Directors and is also appropriate to the level of contribution and takes into account the industry practices and norms for Directors to provide stewardship of the Board, while being commensurate with their efforts, responsibilities and time spent. Each Director is paid a fixed fee, and no Director is involved in deciding his or her own remuneration. The framework for determining the Directors’ fees is shown in the table below:

## Mainboard

Chairman	S\$90,000 per annum
Members	S\$45,000 per annum

## Audit Committee

Chairman	S\$40,000 per annum
Members	S\$20,000 per annum

The Manager is cognisant of the requirement to disclose (i) the remuneration of the CEO and each individual Director on a named basis; (ii) the remuneration of at

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least the top five key management executives (who are not also Directors or the CEO), on a named basis, in bands of S\$250,000; (iii) the aggregate remuneration of its CEO and top five key management executives (who are not also Directors or the CEO); and (iv) any other forms of remuneration and other payments and miscellaneous staff benefits paid to key management executives (who are not also Directors or the CEO) (as required under Provisions 8.1 and 8.3). The Board has assessed and elected not to disclose the above remuneration for the following reasons:

- the competition for talent in the REIT management industry is very keen and the Manager has, in the interests of Unitholders, opted not to disclose the remuneration of its CEO and top five key management executives (who are not also Directors or the CEO) so as to minimise potential staff movement which would cause undue disruptions to the management team of Cache;
- it is important that the Manager retains its competent and committed staff to ensure the stability and continuity of business and operations of Cache;
- due to the confidentiality and sensitivity of staff remuneration matters, the Manager is of the view that such disclosures could be prejudicial to the interests of Unitholders. Conversely, the Manager is of the view that such non-disclosure will not be prejudicial to the interests of Unitholders as the information provided regarding the Manager's remuneration policies is sufficient to enable Unitholders to understand the link between remuneration paid to the CEO and the top five key management executives (who are not also Directors or the CEO) and their performance; and
- there is no misalignment between the remuneration of the CEO and key management executives and the interests of the Unitholders as their remuneration is paid out from the fees the Manager receives from Cache, rather than borne by Cache.

The Manager is accordingly of the view that its practice is consistent with Principle 8 of the 2018 CG Code as a whole.

There are no employees of the Manager who are Substantial Shareholders of the Manager; Substantial Unitholders; or immediate family members of a Director, the CEO, a Substantial Shareholder of the Manager or a Substantial Unitholder; whose remuneration exceeds S\$100,000 during the year.

The key management executives were remunerated wholly in cash in FY2019.

## **(C) 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.*

Effective risk management is a fundamental part of Cache's business strategy. Recognising and managing risks is central to the business and serves to protect Unitholders' interests and Cache's assets. Cache operates within the overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved and appropriate controls and measures are put in place before the Manager proceeds with the execution.

Key risks, process owners, risk factors, mitigating actions and risk indicators are continuously identified, assessed and monitored by Management as part of Cache's Enterprise Risk Management Framework (the "**ERM Framework**") and documented in the risk profile maintained by the Manager and reviewed quarterly by the Audit Committee and the Board. As a result, the Board determines the nature and extent of such risks identified in achieving Cache's strategic objectives and value creation.

The ERM Framework lays out the governing policies and procedures, ensuring that the risk management and internal control systems provide reasonable assurance on the safeguarding of assets, maintenance of reliable and proper accounting records, compliance with relevant legislations and against material misstatement of losses.

#### **Risk Management Committee**

A separate risk management committee (the "**Risk Management Committee**") was established to assist the Audit Committee in assessing the adequacy of internal controls. The Risk Management Committee comprises the CEO, Head of Finance and the Head of ARA Group Risk Management & Internal Audit Division ("**GRM & IA**"). GRM & IA is a corporate division of ARA, the holding company of the Manager.

The Risk Management Committee meets regularly to review the risk profile of Cache. The Risk Management Committee, which is headed by the CEO, reports to the Audit Committee on overall risk management matters during the quarterly Audit Committee meetings.

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The Risk Management Committee identifies the material risks that Cache faces, including strategic, operational, financial, compliance and information technology risks, and sets out the appropriate mitigating actions and monitoring mechanisms to respond to these risks and changes in the external business environment. The risk profile highlights the changes in risk assessment, quantitative and qualitative factors affecting the inherent risk levels and effectiveness of mitigating controls supporting the residual risks within the risk appetite approved by the Board.

The CEO and his management team are primarily responsible for maintaining the internal controls and risk management systems. Risks are proactively identified and addressed. The ownership of these risks lies with the respective departmental heads with stewardship residing with the Board. The Internal Auditors conduct reviews of the adequacy and effectiveness of the risk profiles and material internal controls, addressing financial, operational, compliance and information technology controls, as part of the audit plan approved by the Audit Committee. In addition, the External Auditors perform tests of certain controls relevant to the preparation of Cache's financial statements. Any material non-compliance or improvements identified for the risk management processes is reported to the Audit Committee. The Audit Committee and the Board review the adequacy and effectiveness of Cache's risk management and internal control systems.

## **Role of Board and Audit Committee**

The Audit Committee and the Board believe that the internal controls, including financial, operational, compliance and information technology controls, risk management systems and sustainability measures put in place to manage the risks are adequate and effective and the residual risks are acceptable.

For the financial year in review, the Board has received written assurances from the CEO and the Head of Finance that (a) the financial records have been properly maintained and that the financial statements give a true and fair view of Cache's operations and finances and (b) Cache's risk management and internal control systems are adequate and effective.

In addition, an Internal Assessment Checklist (the "**1207(10) Checklist**") which captures the requirements under Rule 1207(10) of the Listing Manual has been used by Management as a guide to assess the adequacy of internal controls. The 1207(10) Checklist covers the areas of risk management, internal audit, internal controls, information technology, fraud assessment, external audit and compliance. The completed 1207(10) Checklist is reviewed by the Audit Committee, in conjunction with the reports submitted by the Internal Auditors and the

External Auditors, as well as the letters of undertaking from the CEO and the Head of Finance of the Manager to give assurance on the state of internal controls.

For FY2019, the Board is satisfied with the adequacy and effectiveness of Cache's internal controls (including financial, operational, compliance and information technology controls) and risk management systems, taking into account the nature, scale and complexity of the Manager's operations. The Board arrived at this assessment based on the ERM Framework established, the 1207(10) Checklist and the reviews conducted by the Internal Auditors and the External Auditors, together with the Management's confirmation on the adequacy and effectiveness of the internal controls. The Audit Committee has concurred with the Board's assessment. In addition, the Audit Committee has reviewed and is satisfied with the adequacy of resources and qualifications of the Manager's key management executives who are performing accounting, financial reporting and compliance roles.

Cache has maintained proper records of the discussions and decisions of the Board and the Audit Committee.

## **Whistle Blowing Policy**

Pursuant to the Whistle-Blowing Programme which has been put in place, the Audit Committee reviews arrangements by which staff of the Manager or any other persons may, in confidence, raise their concerns to the Audit Committee about possible improprieties in matters of financial reporting or such other matters in a responsible and effective manner.

The objective of the Whistle-Blowing Programme, as approved by the Audit Committee, is to ensure that arrangements are in place for independent investigation of such concerns and allow appropriate follow-up actions to be taken.

The Audit Committee is guided by the Whistle-Blowing Programme to ensure proper conduct and closure of investigations, including handling of possible improprieties, prohibition of obstructive or retaliatory actions, confidentiality, disciplinary and civil or criminal actions. All such investigations are undertaken by the Internal Auditors based on instructions from the Audit Committee.

Details of the Whistle-Blowing Programme and arrangements are posted on Cache's website. The website provides a feedback channel for any complainant to raise possible improprieties directly to the Audit Committee (with such complaints copied to the Head of ARA GRM & IA) to facilitate an independent investigation of any matter raised and allow appropriate follow-up action as required. The Whistle-Blowing Policy and Code

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of Conduct, amongst other policies, are circulated to all new incoming staff and also covered as part of the staff's annual declaration of compliance.

## AUDIT COMMITTEE

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

The Board has established an Audit Committee to assist the Board in discharging its corporate governance responsibilities. The Audit Committee's role is to assist the Board in ensuring the integrity of the financial reporting and that sound internal controls are put in place. In adhering to best practices of corporate governance, all members of the Audit Committee (including the Audit Committee Chairman) are Independent Non-Executive Directors.

The Audit Committee currently comprises three Independent Non-Executive Directors, namely:

- Mr Lim Lee Meng (Chairman)<sup>(1)</sup>
- Mr Lim Kong Puay (Member)
- Mr Oh Eng Lock (Member)<sup>(2)</sup>

### Notes:

(1) Member appointed as Chairman on 15 March 2019

(2) Appointed on 15 March 2019

Mr Oh Eng Lock was appointed as an Independent Director and a member of the Audit Committee following the resignations of Mr Lim Ah Doo and Ms Stefanie Yuen Thio, who have reached their tenure of nine years on 15 March 2019.

The members of the Audit Committee bring with them professional expertise and experience in the financial, business management and consultancy fields. The Board is of the view that the Audit Committee Chairman and members are appropriately qualified, with the necessary accounting and financial management expertise and experience to discharge their responsibilities. Mr Lim Lee Meng was a former senior partner of an international accounting firm and he was previously on the boards of several Singapore-listed REITs. Mr Lim Kong Puay is a senior corporate executive in the electricity and utilities sector. Mr Oh Eng Lock has extensive experience in the banking and financial sector and was formerly the CEO and an Executive Director of a listed company.

In compliance with the 2018 CG Code, the Audit Committee does not comprise any former partner or director of the incumbent External Auditors, within the previous two years or hold any financial interest in the auditing firm.

Four Audit Committee meetings were held during FY2019.

The Audit Committee is guided by its written terms of reference which defines its duties and scope of authority. Specifically, the duties of the Audit Committee include:

1. reviewing the annual audit plan, including the nature and scope of the internal and external audits before the commencement of these audits;
2. reviewing at least annually, the adequacy and effectiveness of the internal audit process and Cache's system of risk management and internal controls, including financial, operational, compliance and information technology controls;
3. reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the Management;
4. reviewing the adequacy, effectiveness, independence, scope and results of the Internal Auditors;
5. reviewing the monitoring procedures put in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix;
6. reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of Cache and any announcements relating to Cache's financial performance;
7. reviewing the assurance from the CEO and the Head of Finance on the financial records and financial statements;
8. reviewing the Whistle-Blowing Policy and arrangements by which staff of the Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
9. reviewing and discussing with the External Auditors, any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on Cache's operating results or financial position and Management's response;
10. reviewing the adequacy, effectiveness, independence, scope and results of the External Auditors;

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11. making recommendations to the Board on (i) the proposed appointment and removal of the External Auditors and (ii) reviewing the proposed fees for the External Auditors and authorising the Manager to fix the remuneration and terms of engagement of the External Auditors for the financial year; and
12. reviewing the monitoring procedures established to regulate Interested Party Transactions and Conflict of Interests (as defined below), including ensuring compliance with the provisions of the Listing Manual relating to transactions between the Trustee and an “interested person”, and the provisions of the Property Funds Appendix relating to transactions between the Trustee and an “interested party” (both such types of transactions constituting “**Interested Person Transactions**”). This includes the requirement to ensure transactions undertaken are on normal commercial terms and not prejudicial to the interests of the Unitholders and that the property manager, as an interested person, is in compliance with the property management agreement.

The Audit Committee has the authority to investigate any matters within its terms of reference. It is entitled to full access and co-operation from Management and has discretion to invite any Director or any key management executive of the Manager to attend its meetings. The Audit Committee has full access to resources and is provided with regular updates from external professionals to keep abreast of changes in accounting and regulatory standards.

In FY2019, the Audit Committee had met with the Internal Auditors and the External Auditors without the presence of Management. The Internal Auditors and the External Auditors may request the Audit Committee to meet if they consider a meeting necessary. Both the Internal Auditors and the External Auditors have confirmed that they had full access and had received the co-operation and support of Management, with no restrictions placed on the scope of their audits.

The Audit Committee had reviewed and approved the Internal Auditors’ and the External Auditors’ audit plans to ensure that they were sufficiently comprehensive in scope and address the internal controls of Cache. All audit findings and recommendations by the Internal Auditors and the External Auditors were forwarded to the Audit Committee for discussions at the meetings. The Audit Committee discussed with Management and the External Auditors on significant financial reporting matters, in particular the key audit matter associated with valuation of investment properties. The Audit Committee concurs with the conclusion of the Management and the External Auditors on the key audit matter.

During FY2019, the Audit Committee performed an independent review of the quarterly and full yearly financial statements of Cache. In the process, the Audit Committee reviewed the key areas of management judgement applied for adequate provisioning and disclosure, accounting policies, key audit matters and any significant changes made which have a material impact on the financials. The External Auditors also presented their salient features memorandum to the Audit Committee, covering the audit focus areas, key audit matters findings, quality and independence.

In connection with the ERM Framework under risk management, the Audit Committee had reviewed the approach taken in identifying and assessing risks and internal controls in the risk profile documented and maintained by Management.

The Audit Committee had also conducted a review of all non-audit services provided by KPMG LLP, the external auditors of Cache (the “**External Auditors**”), and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors. The aggregate amount of audit and non-audit fees paid/payable to the External Auditors for FY2019 is disclosed on page 170 of this Annual Report.

The Audit Committee is satisfied that the resources and experience of the audit partner of KPMG LLP and her team are adequate to meet their audit obligations, given the size, nature, operations and complexity of Cache and its subsidiaries. The Audit Committee had assessed the performance of the External Auditors based on factors such as performance and quality of their audit and independence. The External Auditors had also confirmed their independence in writing to the Audit Committee.

The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of KPMG LLP as the external auditors of Cache at the forthcoming Annual General Meeting (“**AGM**”). The Manager, on behalf of Cache, confirms that it has complied with the requirements of Rules 712 and 716 of the Listing Manual in respect of the suitability of the auditing firms of Cache and its significant associated companies and subsidiaries.

The Audit Committee had reviewed the Whistle-Blowing Policy which provides the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee is satisfied that these arrangements are in place for concerns to be raised and investigated independently, and for appropriate follow-up actions to be taken.

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On a quarterly basis, Management reports details of the Interested Person Transactions to the Audit Committee. All Interested Person Transactions together with the Register of Interested Person Transactions had been reviewed by the Audit Committee.

## **Internal Audit Function**

The Manager maintains a robust system of internal controls and risk management framework to safeguard Cache's assets and Unitholders' interests and to provide reasonable assurance against misstatement of loss, ensure maintenance of reliable and proper accounting records and compliance with relevant legislation.

For FY2019, the internal audit function of the Manager was outsourced to Deloitte & Touche Enterprise Risk Services Pte. Ltd., a member firm of Deloitte Touche Tohmatsu Limited (the "Internal Auditors"). The Internal Auditors are independent of Management and report directly to the Audit Committee on audit matters and to Management on administrative matters.

The Audit Committee is satisfied that the Internal Auditors had met the standards set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Audit Committee has assessed the adequacy of the Internal Auditors and is of the view that the Internal Auditors had the relevant qualifications, appropriate standing within the Manager and adequate resources to perform their functions effectively. The Internal Auditors had also maintained their independence from the activities that they audit and had unfettered access to all Cache's documents, records, properties and personnel, including the Audit Committee. The Audit Committee approves the appointment, removal, evaluation and fees of the Internal Auditors, and conducts an assessment of the Internal Auditors' performance during re-appointments.

The Internal Auditors conduct audits to evaluate the effectiveness of the risk management and internal control systems in Cache, which include financial, operational, compliance controls and information technology. The internal audit plan adopts a risk-based approach covering all business of Cache and support functions of the Manager and property managers. The audit assignments cover the design and operating effectiveness of the internal controls, as well as, compliance with the stated policies and procedures. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the Audit Committee. The Internal Auditors also report to the Audit Committee on the status of the corrective or improvement measures undertaken by Management.

In addition to the work performed by the Internal Auditors, the External Auditors also performed tests of certain controls that are relevant to the preparation of Cache's financial statements, and they report any significant deficiencies of such internal controls to the Audit Committee.

Pursuant to Rule 1207(10C) of the Listing Manual, the Audit Committee had assessed and is satisfied with the adequacy, effectiveness, independence, scope and results of the Internal Auditors.

## **(D) 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.*

### **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 upholds a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. In the spirit of the disclosure requirements under the Listing Manual, the Manager is committed to actively engaging and keeping all Unitholders and stakeholders informed on the performance and changes in Cache's business, which would materially affect the price of the Units, on a timely basis. The Manager's Investor Relations and Disclosure Policy promotes regular, effective and fair communication through timely and full disclosure of material information by way of public releases or announcements on the SGX-ST via SGXNET, and on Cache's website (www.Cache-reit.com).

Cache's website provides Unitholders with comprehensive information required to make well-informed investment decisions. Information on Cache's business strategies and Directors' profiles can be accessed from the website. The website also features a (1) "Newsroom" link which shows current and past announcements, financial results and annual reports; (2) "Investors" link which shows Cache's distribution history, historical stock price and research coverage and (3) "Contact Us" link which includes email alerts and contact details. The Whistle Blowing Policy is also published under the "Corporate

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Governance" link. As part of the Investor Relations and Disclosure Policy, the Manager has a dedicated Investor Relations Manager who facilitates communication with Unitholders, institutional investors, analysts and media representatives. Unitholders can post their queries and feedback to the dedicated investor relations contact via email or phone.

Unitholders are notified in advance of the date of release of Cache's financial results through an announcement via SGXNET. The Manager conducts regular briefings for analysts and media representatives, which generally coincide with the release of Cache's half-yearly and full year results. During these briefings, Management will present Cache's most recent performance. In line with the Manager's objective of transparent communication, briefing materials are also simultaneously released on the SGX-ST via SGXNET and also made available on Cache's website.

In FY2019, Management provided institutional investors and analysts with publicly available information through group presentations, one-on-one meetings and conference calls. Management strives to maintain regular dialogue with retail investors and keep them updated on developments through participations in seminars and symposiums, timely announcements on SGXNET, Cache's website and the general media, in order to ensure a level playing field.

Unitholders are informed of meetings through notices accompanied by Annual Reports or circulars sent to them. All Unitholders are entitled to receive the annual reports at least 14 days prior to the AGM. The Manager ensures that Unitholders are able to participate effectively and vote at the general meeting of Unitholders (the "Unitholders' meetings"). In this regard, the Unitholders' meetings are generally held in central locations which are easily accessible by public transportation. Unitholders are invited at such meetings to put forth any questions they may have on the resolutions to be debated and decided upon. If any Unitholder is unable to attend, he or she is allowed to appoint in advance up to two proxies to vote on his/her behalf at the meeting through proxy forms sent to the Unitholder. The Manager has not implemented absentia voting methods such as voting via email or fax (as required under Provision 11.4) due to security, integrity and other pertinent considerations. The Manager is of the view that its practice is consistent with Principle 11 of the 2018 CG Code as Unitholders have opportunities to communicate their views on matters affecting Cache even when they are not in attendance at general meetings. Unitholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings. At the Unitholders' meetings, each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the AGM in the Notice of AGM.

The Directors, Audit Committee, Management and the External Auditors will be in attendance at these meetings to address questions raised by Unitholders. All Directors attended the general meeting held in FY2019.

Voting at general meetings is conducted by way of electronic poll voting for all the Unitholders/proxies present at the meeting for all resolutions proposed at the general meeting. Unitholders/proxies will be briefed on the procedures involved in conducting a poll. This allows all Unitholders present or represented at the meetings to vote on a one-unit-one-vote basis. An independent scrutineer is appointed to validate the vote tabulation procedures. The voting results of all votes cast for or against each resolution is then screened at the meeting with respective percentages and these details are announced through SGXNET after the meeting.

The Company Secretary prepares the minutes of Unitholders' meetings, which incorporate comments or queries from Unitholders and the corresponding responses from the Board and Management. The minutes will be publicly available on Cache's website after the general meeting.

Cache's current distribution policy is to distribute quarterly, at least 90% of its annual distributable income.

## **(E) MANAGING STAKEHOLDERS RELATIONSHIPS**

### **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.*

In keeping with its commitments to good corporate governance, the Manager has put in place a Sustainable Reporting Framework, which is published on Cache's website. In the report, the Manager focuses on Cache's Economic, Social, and Governance ("ESG") impacts and its progress towards the goal of sustainable management of its real estate portfolio. The Board has set a strategic direction in ensuring good corporate governance, prudent financial management, fair employment practices and efficient utilisation of resources. The Manager believes in the importance of integrating sustainability into its business strategies and operations in achieving sustainable economic growth and delivering long-term Unitholder value.

The Manager has identified the following as their key stakeholders: Unitholders, Investors, Tenants, Third Party Service Providers, Community, Employees, Government Agencies, Industry Organisations and Associations. For FY2019, the Manager's strategy is to ensure active

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engagement and frequent communication with the relevant stakeholders through the various engagement channels including meetings, forums and dialogues, general meetings and announcements, investor conferences, tenant engagement events, and employee satisfaction surveys. The area of focus is to understand the stakeholders' concerns and issues which are of relevance to the material ESG factors.

The Manager is committed to upholding Cache's sustainability practices and creating value for its stakeholders.

Stakeholders can access Cache's Sustainability Report on Cache's website under the "Newsroom" link.

## **(F) ADDITIONAL INFORMATION**

### **EXEMPTIONS IN THE LISTING MANUAL**

The Manager notes the exemptions under Practice Note 4.2 of the Listing Manual, which provides that Rules 210(5)(d)(iii), 210(5)(e) and 720(5) do not apply to a REIT as long as the REIT continues to comply with the relevant provisions under the SFA and the regulations and notices made thereunder which substantively addresses the requirements under these rules (the "SFA Provisions"). Under the SFA Provisions, the Manager must act in the best interest of all Unitholders as a whole and give priority to their interests over the Manager's own interests and the interests of the shareholders of the Manager in the event of a conflict. The SFA Provisions also stipulate the requirements for the composition of the board, circumstances where Directors' appointment shall be endorsed by Unitholders, establishment of an Audit Committee, and criteria in which a Director of the Manager is considered independent. In this regard the Manager has complied with all the relevant SFA Provisions for FY2019.

### **DEALINGS IN UNITS**

The Manager has adopted the ARA Dealing in Securities Policy to guide its Directors, key management executives and employees (collectively referred to as the "**Manager's personnel**") in respect of dealings in Units.

This policy encourages the Manager's personnel to hold Units (i.e. not to deal for short-term considerations), and prohibits them from dealing in such Units:

1. during the period commencing two weeks before the public announcement of Cache's quarterly results and one month before the public announcement of Cache's annual results and (where applicable) any property valuations, and ending on the date of announcement of the relevant results or property valuations; and

2. at any time whilst in possession of price-sensitive information.

The Manager's personnel are also prohibited from communicating price-sensitive information to any persons and to avoid, and be seen to avoid, actual or potential conflict between personal interest and duty to the Unitholders. The Manager confirms that its Directors, key management executives and employees have adhered to the policy for dealing in the Units for FY2019.

The Manager makes announcements on the SGX-ST in respect of any changes to its unitholding interest in Cache within one business day. The Manager will not deal in Units during the period commencing two weeks and one month before the public announcement of Cache's quarterly and full year results respectively and (where applicable) any property valuations and ending on the date of announcement of the said information. The Manager confirms that it has complied with Rule 1207(19) of the Listing Manual.

Effective from 13 March 2020, Cache has announced the change from its quarterly reporting to half yearly, having fulfilled the requirements under the Listing Manual. In addition, Cache shall continue to announce and distribute dividends quarterly without being accompanied by its financial statements announcement for the relevant period.

In lieu of the first and third financial quarters' detailed financial result announcements via SGXNET, the Manager shall prepare a set of investors' presentation slides which include assets/portfolio performance and highly summarized financial information relevant to the quarter's distribution ("**Investors Slides**"). These slides would be published at Cache's website as well as announced via SGXNET.

In view of such changes, the ARA Dealing in Securities Policy has been updated to reflect that the "black-out" period is defined as two weeks prior to the quarterly release of Investors Slides (in relation to the first and third financial quarters) and one month before the date of announcement of half year and full year results and (where applicable) any property valuations.

### **DEALING WITH CONFLICTS OF INTEREST**

The Manager has instituted the following procedures to deal with potential conflict of interest issues:

1. the Manager shall be a dedicated manager to Cache and will not manage any other REIT which invests in the same type of properties as Cache;

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2. all management personnel will be employed and will work exclusively for the Manager and will not hold other executive positions in other firms;
3. all resolutions in writing of the Directors in relation to matters concerning Cache must be approved by a majority of the Directors, including at least one Independent Non-Executive Director;
4. at least half of the Board shall comprise Independent Non-Executive Directors;
5. in respect of matters in which a Director or his associates have an interest, direct or indirect, the interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Non-Executive Directors and must exclude such interested Director;
6. in respect of matters in which ARA and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by ARA and/or its subsidiaries to the Board to represent their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Non-Executive Directors and must exclude nominee Directors of ARA and/or its subsidiaries; and
7. 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 with an interested person of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee 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 have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee with an interested person of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an interested person of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such interested person.

The Directors of the Manager owe a fiduciary duty to Cache to act in the best interests of Cache, in relation to decisions affecting Cache when they are voting as a member of the Board. In addition, the Directors and

executive officers of the Manager are expected to act with integrity at all times. The Manager has established a conflicts of interest policy for its employees and major service providers to ensure that any conflicts of interest or potential conflicts of interest are disclosed and approvals are sought where required.

## **DEALING WITH INTERESTED PERSON TRANSACTIONS**

### **Review Procedures for Interested Person Transactions**

The Manager has established internal control procedures to ensure that all Interested Person Transactions will be undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of Cache and its Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from independent parties not related to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix).

The Manager maintains a register to record all Interested Person Transactions which are entered into by Cache and the basis thereof, including any quotations from unrelated parties as well as independent valuations obtained for the purposes of such Interested Person Transactions. The Manager incorporates into its internal audit plan a review of all Interested Person Transactions entered into by Cache.

In addition, the following procedures will be undertaken:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of Cache's latest audited net tangible assets will be subject to review by the Audit Committee at regular intervals;
2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Cache's latest audited net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager. The Manager will, in compliance with Rule 905 of the Listing Manual, announce any Interested Person Transaction if such

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transaction, either individually or when aggregated with other Interested Person Transactions entered into with the same interested person during the same financial year, is 3.0% or more of Cache's latest audited net tangible assets; and

3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of the value of Cache's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

Where matters concerning Cache relate to transactions entered into or to be entered into by the Trustee with an interested person, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis, are on normal commercial terms, are not prejudicial to the interest of Cache and its Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested person. If the Trustee is to enter into any agreement with an interested person, the Trustee will review the terms of such agreement to ensure compliance with the requirements relating to Interested Person Transactions in the Listing Manual and the Property Funds Appendix (in each case, as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

Cache will announce any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions (each equal to or exceeding S\$100,000 in value) entered into with the same interested person during the same financial year, is 3.0% or more of Cache's latest audited net tangible assets. The aggregate value of all Interested Person Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in Cache's annual report for that financial year.

## **Role of the Audit Committee for Interested Person Transactions and Internal Control Procedures**

All Interested Person Transactions will be subject to regular periodic reviews by the Audit Committee. The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted on an arm's length basis and are under normal commercial terms and are not prejudicial to Unitholders. Where an interested person is engaged as property management agent or marketing agent for the Trust's properties, the Audit Committee will satisfy itself at least once every two (2) to five (5) years, that the Manager has (i) periodically reviewed the compliance of the agent with the terms of the agreement; and (ii) taken remedial actions where necessary and has documented the reasons for its conclusion. In FY2019, the Internal Auditors have performed such a review on Cache Property Management Pte. Ltd., a related corporation of the Manager, and reported that there was no material non-compliance with terms of the property management agreement.

The Manager maintains a register to record all Interested Person Transactions (and the bases, including any quotations from unrelated parties and the independent valuations obtained to support such bases), which are entered into by Cache. The Manager will incorporate into its internal audit plan a review of all Interested Person Transactions entered into by Cache. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Interested Person Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix and the Listing Manual have been complied with. The Audit Committee will periodically review all Interested Person Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and the Listing Manual. The review will include the examination of the nature of the transaction and the supporting documents or such other data deemed necessary by the Audit Committee.

If a member of the Audit Committee has an interest in a transaction, he/she is required to abstain from participating in the review and approval process in relation to that transaction.

The Manager will disclose in Cache's annual reports the aggregate value of Interested Person Transactions conducted during the relevant financial year.

## **Material Contracts**

There are no material contracts entered into by Cache or any of its subsidiaries that involve the interests of the CEO, any Director or any controlling Unitholder, except as disclosed in this Annual Report.

# CORPORATE GOVERNANCE REPORT

## DATES OF INITIAL APPOINTMENT OF DIRECTORS IN ARA TRUST MANAGEMENT (CACHE) LIMITED AND DIRECTORSHIPS IN LISTED COMPANIES

<b>NAME OF DIRECTOR</b>	<b>APPOINTMENT</b>	<b>DATE OF INITIAL APPOINTMENT / LAST RE-ELECTION</b>	<b>PRINCIPAL COMMITMENT</b>	<b>DIRECTORSHIPS IN LISTED COMPANIES (AS AT 31 DECEMBER 2019)</b>	<b>PAST DIRECTORSHIPS IN LISTED COMPANIES HELD OVER THE PRECEDING THREE YEARS</b>
Lim How Teck	Chairman and Non-Executive Director	18 March 2010 / 22 April 2019	–	Raffles Education Corporation Limited	ARA Asset Management Limited Swissco Holdings Limited Rickmers Trust Management Pte. Ltd. (trustee-manager of Rickmers Maritime) NauticaAWT Limited
Chia Nam Toon	Non-Executive Director	2 July 2018 / 22 April 2019	Assistant Group CEO, APF II (Logistics Real Estate) & Special Projects of ARA	Nil	Ascendas Funds Management (S) Limited
Lim Kong Puay	Independent Non-Executive Director	1 January 2016 / 23 April 2018	Senior Advisor of Tuas Power Generation Pte Ltd	Nil	Nil
Lim Lee Meng	Lead Independent Non-Executive Director and Chairman of the Audit Committee	1 January 2016 / 22 April 2019	Executive Director of LeeMeng Capital Pte. Ltd.	Teckwah Industrial Corporation Ltd Tye Soon Limited	ARA Asset Management Fortune Limited (trustee-manager of Fortune REIT)
Oh Eng Lock	Independent Non- Executive Director	15 March 2019 / 22 April 2019	–	Nil	BreadTalk Group Limited
Stephen George Hawkins	Non-Executive Director	5 March 2020	Managing Director of LOGOS SE Asia Pte. Ltd.	Nil	Nil