

# CORPORATE GOVERNANCE

## THE ROLE OF CEREIT'S MANAGER

The primary role of the Manager is to set the strategic direction of CEREIT and to make recommendations to the Trustee on any investment or divestment opportunities for CEREIT and the enhancement of the assets of CEREIT in accordance with the stated investment strategy for CEREIT. The research, evaluation and analysis required for these objectives are coordinated and carried out by the Manager. The Manager has general powers of management over the assets of CEREIT.

CEREIT, constituted as a trust, is externally managed by the Manager. The Manager appoints well-qualified and experienced personnel to run its day-to-day operations. All Directors' fees and employees' remuneration are paid by the Manager, and not by CEREIT.

The Manager was appointed in accordance with the terms of the Trust Deed. The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed. No termination fees are payable to the Manager upon the removal or retirement of the Manager under the Trust Deed.

The primary responsibility of the Manager is to manage the assets and liabilities of CEREIT for the benefit of the Unitholders. This is done with a focus on providing Unitholders with stable and growing DPU and NAV per Unit over the long term, while maintaining an appropriate capital structure. The Manager is also responsible for the risk management of CEREIT.

The other functions and responsibilities of the Manager include:

- (a) using its best endeavours to ensure that CEREIT's operations are carried out and conducted in a proper and efficient manner;
- (b) formulating CEREIT's investment strategy, including:
  - i. determining the location, sub-sector type and other characteristics of CEREIT's property portfolio;
  - ii. integrating sustainability risk considerations in the investment decision-making process; and
  - iii. negotiating, overseeing the negotiations and providing supervision in relation to investments of CEREIT and making final recommendations to the Trustee;
- (c) formulating CEREIT's asset management strategy, including:
  - i. determining the tenant-customer mix, asset enhancement works and rationalising operation costs;
  - ii. providing the supervision in relation to asset management of CEREIT and making final recommendations to the Trustee on material matters; and
  - iii. ensuring that ESG factors form integral part of the investment process,
- (d) formulating the plans for equity and debt financing for CEREIT's property acquisitions, distribution payments, expense payments and property maintenance payments. Executing the capital management plans, negotiating with financiers and underwriters and making final recommendations to the Trustee;
- (e) preparing accounts, financial reports and annual reports for CEREIT on a consolidated basis;
- (f) making all regulatory filings on behalf of CEREIT, and ensuring compliance with relevant laws and regulations including the applicable provisions of the SFA, the Listing Manual, the CIS Code (including Property Funds Appendix), the Singapore Code on Take-overs and Mergers, the Trust Deed, the capital markets services license issued to the Manager, any tax rulings and all relevant contracts;

- (g) communicating and liaising with the investment community and other external stakeholders, including but not limited to Unitholders, investors, analysts, media, business and community partners; and
- (h) preparing property plans on a regular basis, which may contain proposals and forecasts on revenue, capital expenditures, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and any relevant assumptions.

The Manager also considers managing sustainability risks (including environmental, social and governance factors) as part of its responsibilities. In this regard, the Board established a Sustainability Committee ("SC") in December 2021 and delegated to the SC the general oversight on sustainability issues and sustainability reporting. The SC is composed of all five Board members, four of whom are non-executive Directors (including the Chair of the SC) with a majority being independent. The SC's terms of reference set out, *inter alia*, the roles and responsibilities of the SC and include its purview over matters relating to the ESG framework, ESG targets, the sustainability reporting framework and CEREIT's policies, practices and performance on its material ESG factors which are significant and contribute to CEREIT's performance, business activities, and reputation as a corporate citizen.

CEREIT's ESG programme is set out in detail in the Sustainability Report FY 2022 which will be published no later than four months after the end of the financial year.

The Manager is a wholly-owned subsidiary of Cromwell Property Group (CEREIT's Sponsor), which holds approximately 27.8% interest in CEREIT as at 31 December 2022. The Sponsor is a real estate investor and global real estate fund manager, listed on the ASX with operations in 15 countries, with a vested interest in the long-term performance of CEREIT. The Sponsor's significant unitholding in CEREIT demonstrates its commitment to CEREIT and as a result, the Sponsor's interests are aligned with those of other Unitholders.

### THE MANAGER'S CORPORATE GOVERNANCE CULTURE

The Manager aspires to the highest standards of corporate governance. The Manager is committed to continuous improvement in corporate governance. It has developed and, on an ongoing basis, maintains a roster of transparent policies and practices that provide a firm foundation for a trusted and respected business enterprise and meet the specific business needs of CEREIT. The Manager remains focused on complying with the substance and spirit of the principles and provisions of the Code while achieving operational excellence and delivering CEREIT's long-term strategic objectives. The Board of Directors is responsible for the overall corporate governance of the Manager, including establishing goals for Management and monitoring the achievement of these goals. This underscores their importance to the Manager.

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found in the Investor Relations section of this Annual Report.

This corporate governance report sets out the corporate governance practices for FY 2022 with reference to the principles of the Code. For FY 2022, CEREIT has complied with the principles and provisions of the Code in all material aspects and to the extent that there are any deviations from the Code, the Manager will provide explanations for such a deviation and the details of the alternative practices which have been adopted by CEREIT, which are consistent with the intent of the relevant principle of the Code.

# CORPORATE GOVERNANCE

## (A) BOARD MATTERS

### Principle 1: The Board's Conduct of Affairs

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

The Board is collectively responsible for the long-term success of CEREIT and to protect and enhance Unitholder value. The Board recognises that each of the Directors is a fiduciary and should act objectively in the best interests of the Unitholders and hold Management accountable for performance.

The Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of CEREIT at all times. The Board puts in place a code of business conduct (please refer to pages 190 to 193 of this Annual Report), sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Manager.

The Manager requires its Directors to disclose their interests in transactions and any conflicts of interests. The Directors recuse themselves from any discussions and decisions concerning matters in which they may be in a conflict-of-interest situation. The Board is satisfied that no conflicts of interest were required to be disclosed by any Director in FY 2022. The Board is tasked to oversee the relationship between CEREIT, the Unitholders and the Manager and also to oversee the affairs of the Manager, in furtherance of the Manager's primary responsibility to manage the assets and liabilities of CEREIT for the benefit of Unitholders. The Board provides leadership to the CEO and Management and sets the strategic vision, direction and long-term objectives for CEREIT. The CEO, assisted by Management, is responsible for the execution of the strategy for CEREIT and the day-to-day operations of CEREIT's business.

The Board guides the corporate strategy and direction of the Manager, ensures that Management demonstrates business leadership and the highest quality of management skills with integrity and enterprise, and oversees the proper conduct of the Manager. The Board establishes the goals for Management, monitors the achievement of these goals and ensures that proper and effective controls are in place to assess and manage business risks.

The Board has reserved authority to approve certain matters and these include:

- (a) acquisitions, investments, developments, redevelopments and divestments;
- (b) issue of new Units;
- (c) income distributions and other returns to Unitholders; and
- (d) matters which involve a conflict-of-interest for a controlling Unitholder or a Director.

### Internal Limits of Authority

The Board has adopted a set of internal controls and guidelines which establishes approval limits for operational and capital expenditures, investments, divestments, bank borrowings and cheque signatory arrangements. Such matters, which have been approved by the Board, are clearly communicated to Management in writing and reviewed annually. Transactions and other matters which require the approval of the Board are clearly set out in the delegation of authority. Appropriate delegations of authority and approval sub-limits are also provided at Management level to facilitate operational efficiency.

## Board Committees

The Board has established various board committees to assist it in the discharging of its functions. Membership in the various board committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. These board committees are the ARC, the NRC and the SC. The Board may form other board committees as dictated by business imperatives.

The ARC, NRC and SC, collectively referred to as the Board Committees, and Board Committee shall mean any of them. The Board Committees have been constituted with clear written terms of reference approved by the Board and may decide on matters within these terms of reference and applicable limits of authority. The terms of reference of the respective Board Committees set out their compositions, authorities and duties, including reporting back to the Board. All terms of reference are reviewed and updated when necessary to ensure their continued relevance.

The members of both the ARC and the NRC are all non-executive CEREIT IDs, with a different independent chair for each Board Committee. The ultimate responsibility for decision-making and oversight rests with the Board as a whole. The compositions of the various Board Committees and the Directors' date of appointments are set out on pages 18 to 22 and 160 of this Annual Report.

## Meetings

The Board meets at least once every quarter and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year to allow Directors to plan ahead to attend such meetings, so as to maximise participation.

Where exigencies prevent a Director from attending a Board meeting in person, the constitution of the Manager permits the Director to participate via audio or video conference. With the reopening of borders in 2022, most of the meetings of the Board and its committees for FY 2022 have been held in physical format in the Manager's office in Singapore. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting, where matters requiring the Board's approval are to be considered, all members of the Board attend and actively participate in the deliberations and discussions; and resolutions in writing are circulated to all Directors for their consideration and approval. The exception is where a Director has a conflict of interest in a particular matter, in which case he/she will be required to recuse himself/ herself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process. A Director with multiple directorships is expected to ensure that sufficient time and attention can be and is given to the affairs of the Manager in managing the assets and liabilities of CEREIT for the benefit of Unitholders. As part of its annual effectiveness review, the Board has confirmed that each Director is not "overboarded" i.e. not sitting on an excessive number of Boards.

During Board meetings, non-executive Directors review the performance of Management against agreed goals and objectives and monitor the reporting of performance. During the Board meeting to discuss strategies, non-executive Directors constructively challenge and help develop proposals on these strategies.

A total of 12 Board meetings, 5 ARC meetings, 3 NRC meetings and 5 SC meetings were held in FY 2022. A record of the Directors' attendance at Board and Board Committees' meetings in FY 2022 is set out below. All Directors attended all meetings in FY 2022 and all Directors voted on each resolution where applicable. The Manager believes in the manifest contributions of its Directors beyond attendance at formal Board and Board Committee meetings. To judge a Director's contributions based on his/her attendance at formal meetings alone would not do justice to his/her overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Board Committees meetings.

# CORPORATE GOVERNANCE

## COMPOSITION AND ATTENDANCE RECORD OF MEETINGS

	Composition			Attendance Record of Meetings in FY 2022				
	ARC	NRC	SC	Board Number of Meetings Held: 12	ARC Number of Meetings Held: 5	NRC Number of Meetings Held: 3	SC Number of Meetings Held: 5	AGM Number of Meetings Held: 1
<b>Lim Swe Guan</b>	Member	Member	Member	12 out of 12	5 out of 5	3 out of 3	5 out of 5	1 out of 1
<b>Fang Ai Lian</b>	Chair	Member	Member	12 out of 12	5 out of 5	3 out of 3	5 out of 5	1 out of 1
<b>Christian Delaire</b>	Member	Chair	Member	12 out of 12	5 out of 5	3 out of 3	5 out of 5	1 out of 1
<b>Ooi Eng Peng</b>	-	-	Chair	12 out of 12	N/A	N/A	5 out of 5	1 out of 1
<b>Simon Garing</b>	-	-	Member	12 out of 12	N/A	N/A	5 out of 5	1 out of 1

### Training

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Board recognises the importance of ongoing training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors to the best of their abilities. The Manager has in place a training framework designed to meet the objective of having a Board which comprises competent individuals who possess up-to-date knowledge and skills necessary to discharge their responsibilities. The costs of training are borne by the Manager.

Directors understand the company's business and their fiduciary duties towards CEREIT as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors receive ongoing training in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, ethical standards and industry-related matters. Directors are also regularly updated on matters that affect or may enhance their performance as Directors or Board Committee members. Directors may contribute by highlighting relevant areas of interest.

The Manager ensures that Directors are provided with opportunities for continual professional development in areas such as briefings by professional advisors and Management on the changes to accounting standards and the Code, industry developments, regulatory matters, ESG and sustainability reporting and dialogues with experts and senior business leaders on issues facing boards and board practices. Notably, in FY 2022, all the Directors have attended and successfully completed the prescribed ESG training as mandated by the SGX-ST.

### Director Orientation

Upon appointment, each Director is provided with a formal letter of appointment. All Directors, upon appointment, also undergo a formal induction, training and development programme which focuses on orientating the Director on CEREIT's business, operations, strategy, organisational structure, responsibilities of KMP, ethical standards and financial and governance practices. All Directors, upon appointment, also undergo training on the roles and responsibilities of a director of a listed issuer.

Directors who are appointed to the Board from time to time either have prior experience as a director of an issuer listed on the SGX-ST or will undergo further training required under Rule 210(5)(a) of the Listing Manual.

### Access to Information

An effective and robust Board, whose members engage in open and constructive debate to develop and refine proposals on strategy, is fundamental to good corporate governance. In this regard, the Board is kept well-informed of CEREIT's business and affairs and the industry in which CEREIT operates. The Manager recognises the importance of providing the Board with complete, adequate and timely information prior to Board meetings and on an ongoing basis, to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on CEREIT's operational and financial performance are also provided to the Board on a regular basis.

Where appropriate, informal meetings are also held for Management to brief Directors on prospective transactions, early stages of potential developments or other matters before formal Board approval is sought.

The Directors have separate and independent access to Management and the Company Secretary at the Manager's expense, at all times. The Company Secretary attends to corporate secretarial administration matters and attends all Board meetings. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.

The Board also has access to independent professional advice where appropriate and when requested, at the Manager's expense.

### Principle 2: Board Composition and Guidance

*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 Manager is currently led by a five-member Board, three of whom (including the Chair) are CEREIT IDs and four of whom are non-executive Directors. Accordingly, non-executive Directors make up a majority of the Board in FY 2022.

Profiles of the Directors are provided on pages 18 to 22 of this Annual Report.

The Board assesses the independence of each Director in accordance with the guidance in the Code, the Listing Manual and the SFR.

A CEREIT ID is one who is independent in conduct, character and judgement and has no relationship with the Manager, its related corporations and its shareholders who hold 5% or more of the voting shares of the Manager, or Unitholders who hold 5% or more of the Units in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of CEREIT; and is independent from the management of the Manager and CEREIT, from any business relationship with the Manager and CEREIT, from every substantial shareholder of the Manager and every substantial Unitholder of CEREIT, and is not a substantial shareholder of the Manager or a substantial Unitholder of CEREIT, is not employed and has not been employed by the Manager or CEREIT or their related corporations in the current or any of the past three financial years, does not have an immediate family member who is employed or has been employed by the Manager or CEREIT or their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board and has not served on the Board for a continuous period of nine years or longer.

The Board has established a process for assessing the independence of its Directors. Each of the relevant non-executive Directors has confirmed that there are no material relationships which would render him/her non-independent. The confirmations have been reviewed by the Board during which the Board considered the Directors' respective contributions at Board meetings. The Board has carried out the assessment of each of its Directors for FY 2022 and the paragraphs below sets out the outcome of the assessment.

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With respect to Mr Lim Swe Guan, Mr Christian Delaire and Mrs Fang Ai Lian, they do not have any relationships and are not faced with any of the circumstances identified in the Code, SFR and Listing Manual, or any other relationships which may affect their independent judgement. The Board considered whether each of them had demonstrated independence of character and judgement in the discharge of their responsibilities as a Director in FY 2022, and is satisfied that each of Mr Lim, Mr Delaire and Mrs Fang had acted with independent judgement.

On the basis of the declarations of independence provided by the relevant non-executive Directors and the guidance in the Listing Manual, Code and the SFR, the Board has determined that Mr Lim Swe Guan, Mr Christian Delaire and Mrs Fang Ai Lian are CEREIT IDs. For FY 2022, all the CEREIT IDs are considered to be independent under the Code and SFR. All CEREIT IDs have also served on the Board for fewer than nine years. Each of them had recused himself/herself from the Board's deliberations respectively on his/her own independence.

The remaining Directors are not independent Directors as defined under the Listing Manual, Code and the SFR. Mr Simon Garing is the CEO and an executive Director of the Manager while Mr Ooi Eng Peng is a non-independent non-executive Director of the Manager and is a director and deputy chair on the board of the Sponsor. As at the last day of 2022, Mr Simon Garing has confirmed that he has acted in the best interest of all the Unitholders throughout the year. The Board is satisfied that Mr Simon Garing was able to act in the best interests of all the Unitholders in respect of FY 2022. It is further noted that Mr Simon Garing and Mr Ooi Eng Peng have served on the Board for fewer than nine years and neither of them is a substantial shareholder of the Manager nor a substantial Unitholder of CEREIT.

The CEREIT IDs, led by the independent Chair of the Board, communicate regularly without the presence of Management as required. The chair of such meetings provides feedback to the Board.

## Board Diversity

The Manager recognises that diversity in relation to the composition of the Board provides a great range of perspectives, insights and challenges to support good and innovative decision making. The current Board comprises Directors who are business leaders and professionals with financial, banking, real estate, investment, risk management and accounting backgrounds. Each Director brings to the Board a range of skills, experience, insights and sound judgement which, together with his/her strategic networking relationships, serve to further the interests of CEREIT.

The Board embraces diversity and has formally adopted a Board Diversity Policy. The main objective of the Board Diversity Policy is to ensure that the Board comprises directors who as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as gender and age. The Board has made good progress in achieving its objective under the Board Diversity Policy and the current Board and Board Committees are of appropriate size and comprise Directors from diverse backgrounds, age and gender which provide an appropriate mix of skills, knowledge and experience so as to promote inclusion, mitigate against 'groupthink' and foster constructive debate.

The Board is supportive of gender diversity and subscribes to the view that female directors offer different perspective and enhance the decision-making process.

The Board is also of the view that gender should not be the main selection criteria and to look beyond gender to seek diversity of background, knowledge and thought in the appointment of a Director. As gender is an important aspect of diversity, the NRC will strive to ensure that (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present suitable female candidates; (b) when seeking to identify a new Director for appointment to the Board, the NRC will request for female candidates to be fielded for consideration; and (c) at least one female director be appointed to the Board. In FY 2022, the Board has also set a medium-term goal to achieve and maintain at least 30% representation of each gender.

### Annual Review of Board Size and Composition

The Board with the assistance of the NRC and relevant advisors, reviews on an annual basis, the size and composition of the Board, with a view to ensuring the Board has the appropriate mix of expertise and experience and that the size of the Board is appropriate in facilitating effective decision making and constructive debate, taking into account the scope and nature of the operations of CEREIT, and that the Board has a strong independent element. Any potential conflicts-of-interest are also taken into consideration.

### Board Skills Matrix

The Board reviews, on a regular basis, the mix of skills, experience, independence, knowledge and diversity represented by Directors on the Board and determines whether the composition and mix remain appropriate for the Manager's purpose and strategic objectives and whether they cover the skills needed to address existing and emerging business and governance issues relevant to the Manager and CEREIT. The Board has adopted a Board Skills Matrix, which sets out the collective skills and attributes of the Board. The matrix is enhanced annually to include a wider range of skills, taking into account evolving topics such as digitalisation, ESG, tax and other key risk matters in order to meet the changing needs of CEREIT. It is noted that the current Directors have relevant skills and experience in each of the areas listed below.

Skill Area	Skills & Experience
<b>Leadership and Culture</b>	Experience at an executive level in business including the ability to assess the performance of the CEO and senior management
	Non-executive and board committee experience in a publicly listed company in Singapore or Europe
	Understanding, implementing and monitoring of good organisational culture and change management
	Experience in managing human capital and strategic workforce planning
	Remuneration and rewards planning
	Industrial relations, workplace health and safety
<b>Commercial Capability</b>	<b>Deep experience at a Board or executive level with a listed company(s) in the SGX or international equivalent, giving an understanding of any or all of the following:</b>
	Capital raising
	Takeovers
	Continuous disclosure
	Corporate governance
	Commercial law
	Legal and regulatory frameworks
<b>Investment Management/ Funds Management</b>	Experience in the investment management or funds management industry

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Skill Area	Skills & Experience
<b>European Commercial Property Market Knowledge</b>	<b>Experience in, and appropriate knowledge of, the European commercial property market:</b>
	Acquisitions and disposals
	Real estate evaluation
	Asset management
	Property management
	Leasing
	Facilities management
<b>Financial Acumen</b>	Understand key financial statements
	Critically assess financial viability performance
	Contribute to financial planning
	Monitor operating and capital expenditure budgets
	Monitor debt levels and funding arrangements
<b>Risk Management and Internal Controls</b>	Experience as a partner in a top tier accounting firm, or as a CFO in a listed company in the SGX-ST, giving a deep understanding of the accounting standards applicable to the Group's financial reports and the Group's financial accountability process generally
	Ability to identify or recognise key risks to the Group across its various operations and understand and monitor enterprise risk management frameworks and risk mitigating solutions
<b>Capital Management</b>	Understand governance frameworks and internal controls
<b>Sustainability and Environmental</b>	Experience in the banking industry or in a corporate treasury department giving an understanding of the debt market in Singapore, Europe or elsewhere
	Ability to make a positive contribution to the diversity of the Group's Board, whether because of geographic location, gender, age, etc
	Demonstrate an understanding of workplace health and safety practices
	Understand risks and opportunities relating to climate change
	Former or current role with direct accountability for environment practices including energy, water management, emissions and land management
	Stakeholders engagement on ESG issues
	Marketing and positioning expertise capitalising on ESG related opportunities

Skill Area	Skills & Experience
<b>Digitalisation and Technology</b>	Understand digitalisation and disruption to the industry including cybersecurity risks and threats
	Understand technology and information systems applicable to the real estate industry
<b>Public Policy, Government, Economics</b>	Experience with either Singapore or European government ministries or departments giving a knowledge of agendas, policies and/or processes
	Understand key macro and micro economic indicators and market cycles and their impact on the Group and the environment in which it operates
<b>Tax Regime</b>	Understand Singapore and European tax regime and implications
	Ability to guide the management on managing tax dispute and/or tax audit
	Understanding or experience with tax technology in managing digital tax strategy, covering digital tax effectiveness, digital tax administration, tax technology and tax big data

### Principle 3: Chair and Chief Executive Officer

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

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of the Chair and the CEO are held by separate individuals. The Chair and the CEO are not immediate family members.

The non-executive independent Chair, Mr Lim Swe Guan, is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. The CEO, Mr Simon Garing, has full executive responsibilities over the business directions and operational decisions of CEREIT and is responsible for implementing CEREIT's strategies and policies and conducting CEREIT's business.

The Chair is responsible for the overall management of the Board and for facilitating the conditions for the overall effectiveness of the Board, Board Committee and individual Directors. The Chair also ensures that the Board and Management work together with integrity and competency. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and Management on strategy, business operations, enterprise risk and other plans. The Chair plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO and Management on strategies.

The separation of the roles of the Chair and the CEO, which is set out in writing, and the resulting clarity of roles provide a healthy professional relationship between the Board and Management and facilitate robust deliberations on the business activities of CEREIT and the exchange of ideas and views to help shape CEREIT's strategic process.

As the Chair is a CEREIT ID and the roles of the Chair and the CEO are held by separate individuals who are not related to each other, no lead independent director has been appointed. There are also adequate measures in place to address situations where the Chair is conflicted as the Directors are required to recuse themselves from deliberations and abstain from voting on any matters that could potentially give rise to conflict. Despite this deviation from Provision 3.3 of the Code, the Manager is of the view that its practice is consistent with the intent of Principle 3 of the Code.

# CORPORATE GOVERNANCE

## Principle 4: Board Membership

*The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.*

Whilst it is not a regulatory requirement in Singapore for Board members of REIT managers to be subjected to re-election, the Board has a formal process in place to evaluate the effectiveness of the Board and its Board Committees on an annual basis.

The NRC is appointed by the Board from amongst the Directors of the Manager and is composed of three members, all of whom (including the Chair of the NRC) are CEREIT IDs. This exceeds the Code's requirements of having at least a majority of independent directors in the nominating committee. The current members of the NRC are all CEREIT IDs: Mr Christian Delaire, Mr Lim Swe Guan and Mrs Fang Ai Lian. Mr Christian Delaire has been appointed as the Chair of the NRC since CEREIT was listed on SGX-ST.

The role of the NRC is to make recommendations to the Board on all appointment and remuneration matters.

The NRC also reviews and makes recommendations on succession plans for the Board and the KMP. Under its terms of references, the NRC's responsibilities also include:

- (a) reviewing the succession plans for Directors, in particular the appointment and/or replacement of the Chair, the CEO and KMP;
- (b) developing a process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;
- (c) reviewing the training and professional development programmes for the Board and its Directors;
- (d) the appointment and re-appointment of Directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as a CEREIT ID;
- (e) ensuring that new Directors are aware of their duties and obligations;
- (f) determining annually, and as and when circumstances require, if a Director is independent;
- (g) deciding if a Director is able to and has been adequately carrying out his duties as a Director of the Manager, taking into consideration the Director's principal commitments; and
- (h) recommending to the Board objective performance criteria for the purpose of evaluating the Board's performance as a whole, and of each Board Committee separately, as well as the contribution by the Chair and each individual Director to the Board, and to implement performance evaluation established by the Board.

In addition, the NRC is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational background in determining the optimal composition of the Board in its Board renewal process. The Board is reviewed annually against the Board Skills Matrix which identifies areas in which knowledge or skill of the Board is required. This includes, amongst others, strategic thinking, experience and knowledge in European property, understanding of economic indicators, being able to assess financial performance, prior experience in an executive role, and ability to identify key risks.

In the year under review, no alternate directors were appointed. This was in line with the principle that a Director must be able to commit time to the affairs of the Manager. For FY 2022, each Director has committed that he/she was able to commit sufficient time to the affairs of the Manager.

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

- (a) The NRC, on an annual basis, carries out a review of the Board composition as well as on each occasion when a Director gives notice of his or her intention to retire or resign. The review includes assessing the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for CEREIT. In carrying out this review, the NRC considers the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity), taking into account benchmarking within the industry as appropriate. The Board has adopted a Board Skills Matrix, which sets out the collective skills and attributes of the Board. The Board regularly reviews and updates its Board Skills Matrix to reflect the strategy and direction of the Manager and CEREIT. Please see refer to pages 163 to 165 of this Annual Report for the current Board Skills Matrix.
- (b) The NRC reviews the suitability of any candidates put forward by any Director for appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he/she has sufficient time available to commit to his/her responsibilities as a Director, and whether he/she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
- (c) External consultants may be engaged from time to time to access a wide base of potential Directors.
- (d) No member of the NRC is involved in any decision of the NRC relating to his own appointment, re-appointment or assessment of independence.
- (e) A newly-appointed Director receives a formal appointment letter which sets out his relevant duties and obligations.
- (f) All Directors undergo an induction programme on appointment to help familiarise them with matters relating to CEREIT's business and the Manager's strategy for CEREIT.
- (g) The performance of the Board, Board Committees and Directors is monitored regularly and formally reviewed annually.
- (h) The NRC proactively addresses any issues identified in the Board performance evaluation.

# CORPORATE GOVERNANCE

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

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in real estate management, the property industry, banking, finance, accounting and risk management fields;
- (b) at least half of the Board should comprise CEREIT IDs; and
- (c) the Chair of the Board should be independent.

The Manager has maintained a majority of CEREIT IDs since its constitution. As more than half of the Board comprises CEREIT IDs, the Manager is not required to subject any election or re-election of Directors to voting by Unitholders. Further pursuant to the terms of the Trust Deed, Unitholders may remove the Manager (and by inference, each Director) by passing a resolution by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The NRC may look to refresh Board membership progressively and in an orderly manner. Board succession planning is carried out through the annual review of Board composition as well as when an existing Director gives notice of his intention to retire or resign. On the issue of Board renewal, the Manager believes that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of CEREIT's business; renewal or replacement of a Director therefore does not necessarily reflect his performance or contributions to date.

In considering the nomination of any individual for appointment, and in its annual review of each Director's ability to commit time to the affairs of CEREIT, the NRC takes into account, among other things, the attendance record of the Directors at meetings of the Board and Board Committees, the competing time commitments faced by any such individual with multiple board memberships as well as his/her other principal commitments. All Directors attended all meetings in FY 2022.

Provision 4.5 of the Code requires the NRC to decide if a Director is able to and has been adequately carrying out his/her duties as a Director. In view of the responsibilities of a Director, the NRC is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the NRC has not imposed any limit on the maximum number of directorships and principal commitments for each Director as it has taken the view that, the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he/she is in full-time employment and the nature of his/her other responsibilities. The NRC believes that each Director is best placed to determine and ensure that he/she is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director, bearing in mind his/her other commitments.

All Directors had confirmed that notwithstanding the number of their individual listed company board appointments and other principal commitments held, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of CEREIT for the benefit of Unitholders. The CEO, who is also a Director, is fully committed to the day-to-day operations of the Manager. Taking into account also the attendance record of the Directors at meetings of the Board and Board Committees in FY 2022 (set out on page 160 of this Annual Report) and contributions at the Board's deliberations as well as availability outside formal Board and Board Committee meetings, the NRC is of the view that the current commitments of each of its Directors are reasonable and each of the Directors is able to and has been adequately carrying out his/her duties and noted that no Director has a significant number of listed directorships and principal commitments.

**Principle 5: Board Performance**

*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 Manager believes that oversight from a strong and effective Board is critical to guiding a business enterprise to achieving success.

The Board strives to ensure that there is an optimal blend of backgrounds, experience and knowledge in business and general management, expertise relevant to CEREIT's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of CEREIT.

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

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate the effectiveness of the Board as a whole and the Board Committees on an annual basis. As part of the process, questionnaires were sent to the Directors, and the results were aggregated and reported to the Chair of the NRC. The process for FY 2022 was facilitated by Agile 8 Advisory Pte Ltd ("Agile 8"), the Manager's corporate secretary. Save for Agile 8's appointment as external facilitator to conduct the Board evaluation and as the Manager's corporate secretary, Agile 8 does not have any other connection with the Manager or any of the Directors. The areas of evaluation covered in the survey questionnaire included Board roles and responsibilities, leadership, teamwork, management relations, conduct of meetings, training, ethics/stakeholders, Board strengths, Board Committee effectiveness and Directors' self-evaluation. The results of the survey were deliberated upon by the NRC and the Board, and the necessary follow-up action will be taken with a view to enhancing the effectiveness of the NRC and the Board in the discharge of its duties and responsibilities. The Board was also able to assess the Board Committees through their regular updates to the Board on their activities. The outcome of the evaluation was satisfactory for all the attributes in the evaluation categories with overall agreement that the Board's performance objectives had been met.

In respect of individual Directors, their contributions can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings. For FY 2022, the outcome of the self-evaluation of each Director was satisfactory and each Director had contributed positively to the overall effectiveness of the Board.

The Manager also believes that the collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering CEREIT in the appropriate direction, as well as the long-term performance of CEREIT whether under favourable or challenging market conditions.

# CORPORATE GOVERNANCE

## (B) REMUNERATION MATTERS

### Principle 6: Procedures for Developing Remuneration Policies

*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.*

In Singapore, REITs are regulated passive investment trusts, constituted under a trust deed. The independent trustee contracts with a licensed manager to manage and operate the trust on its behalf. The trust itself does not employ any staff. Hence, the staff's remuneration is not paid by the trust and is an arrangement directly with the Manager. For more details on the structure and the relationship between the Trustee, Manager and Unitholders, please refer to pages 16 and 17 of this Annual Report.

In an external REIT manager structure, the Manager is entitled to charge management and ancillary fees as outlined in the Trust Deed, from which the Manager remunerates the salaries of its Directors and employees and pays its operating costs. Pursuant to the Trust Deed, Unitholder approval via extraordinary resolution is required for any increase in the rate or any change in the structure of the management fee, or any increase in the maximum permitted level of the Manager's acquisition fee or divestment fee. A REIT manager is required to abide by the conditions of its capital markets license, the CIS Code (including the Property Funds Appendix), the SFA and the Listing Manual. These ensure that the Manager acts in the best interests of the Unitholders.

The Board approves the executive compensation framework based on the principle of linking pay to performance of CEREIT. CEREIT's business plans are translated to both quantitative and qualitative performance targets, including sustainable corporate practices and are cascaded throughout the Manager.

### Principle 7: Level and Mix of Remuneration

*The level and structure of remuneration of the Board and KMP are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

In this instance, the Manager and its Board set the appropriate mix and level of remuneration to reflect the objective of CEREIT – to provide stable and growing DPU and NAV per Unit over the long term with appropriate capital structure. The remuneration policy is designed to encourage the Manager to undertake only appropriate conservative risks to meet its medium-term objectives.

The Manager is not incentivised by an AUM target and no AUM target for CEREIT has been set by the Manager. The Board, the Manager and the Sponsor believe that this addresses the potential for conflicts-of-interest with regards to IPT transactions (otherwise referred to as Related Party Transactions) or transactions being contemplated for the sake of size alone.

The NRC engages an annual independent market survey of both the Director fees and the KMP remuneration levels and the appropriate mix between fixed remuneration, short-term incentives and long-term incentives for the KMP to optimise alignment to the Board approved short, medium and long-term objectives. For 2022, Aon Pte Ltd ("Aon") was engaged as the external independent remuneration consultant.

Aon is a leading global human capital and management consulting firm, providing a complete array of consulting, outsourcing and insurance brokerage services. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors, which would affect its independence and objectivity. The NRC rotates its remuneration consultant every two years and will consider rotating the remuneration consultant again in 2024.

Taking into account various factors, the NRC considers setting the benchmark remuneration levels to be competitively positioned for each equivalent function which commensurate with size and scope of each role and experience required and as benchmarked by Aon.

### Principle 8: Disclosure on Remuneration

*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 Board sets the remuneration policy in line with CEREIT's business strategy and Cromwell Property Group corporate values. The remuneration policy is reviewed by the NRC and necessary changes are recommended to the Board from time to time.

Under its terms of references, the NRC's responsibilities include:

- (a) reviewing and recommending to the Board a general framework of remuneration for the Board and KMP;
- (b) reviewing and recommending to the Board the specific remuneration packages for each Director as well as for KMP; and
- (c) reviewing CEREIT's obligations arising in the event of termination of executive Directors' and KMP's contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The NRC considers all aspects of remuneration (including but not limited to director's fees, salaries, allowances, bonuses, options, unit-based incentives and awards, benefits-in-kind) and aims to be fair and avoid rewarding poor performance based on the key principles of linking pay to performance and adherence to Cromwell Property Group Values. In designing the remuneration structure, the NRC seeks to ensure that the level and mix of remuneration is competitive and relevant in attracting, motivating and retaining employees. The NRC also exercises independent judgement in ensuring that the remuneration structure is aligned with the interests of Unitholders. No member of the Board, however, will be involved in any decision of the Board relating to his/her own remuneration.

The Manager's compensation programme is well-balanced, competitive, performance-based and aligned with the achievement of each employee's short, medium and long-term goals. Such performance-centric remuneration is linked to the achievement of corporate and individual performance targets, in terms of short and long-term quantifiable objectives and to support the ongoing enhancement of Unitholder value. It aims to promote long-term success and sustainable growth of CEREIT. Management are also incentivised through annual bonus awards that are tied to a variety of financial and non-financial measures. While this approach reflects a pay-for-performance culture, it is also designed to attract, motivate and retain employees in their respective field of expertise. This ensures prudent stewardship of CEREIT and drives business growth and strategy while creating long-term Unitholder value. The remuneration system also takes into account the value creation capability of the Directors and KMP.

In determining the remuneration packages for Directors and KMP, the Manager takes into account compensation benchmarks within the industry, as appropriate. It also considers the compensation framework of the Sponsor as a point of reference. The Manager is a subsidiary of the Sponsor which also holds a significant stake in CEREIT. The association with the Sponsor puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities. The Board has access to independent remuneration consultants for advice as required. For FY 2022, the Manager engaged an external independent remuneration consultant, Aon, to advise on external compensation benchmarking.

# CORPORATE GOVERNANCE

## Non-executive Director Remuneration

The non-executive Directors receive their Directors' fees in accordance with their various levels of contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and the Board Committees. Their remuneration package consists of a basic retainer fee as a Director and additional fees for serving on the Board Committees. A larger fee is accorded to the chair of each Board Committee in view of the greater responsibility, size and scope of the position.

The compensation package is market-benchmarked, taking into account the responsibilities on the part of the Directors in light of the scope and nature of CEREIT's business. All fees are paid for directly by the Manager, not by CEREIT.

The framework for determining Directors' fees is shown in the table below:

	Chairperson	Member
Main Board	S\$120,000	S\$80,000
ARC	S\$40,000	S\$30,000
NRC	S\$30,000	S\$20,000
SC	S\$40,000	S\$20,000

Based on recommendations from Aon, the NRC recommended and the Board approved for Director fees to be unchanged for year ended 31 December 2023.

The Directors' fees for FY 2022 are shown in the table below. The CEO as an Executive Director does not receive any fees for serving as Director, however is remunerated as part of the KMP. All Directors' fees are paid in cash.

It should be noted that the Directors do not receive any additional benefits other than travel expense reimbursement from the Manager.

## Director's Fees

Director	Tenure (Years)	Cash Fees	Other Component	Total Pay
Lim Swe Guan	5 Years 5 Months	S\$190,000	-	S\$190,000
Fang Ai Lian	5 Years 5 Months	S\$160,000	-	S\$160,000
Christian Delaire	5 Years 4 Months	S\$160,000	-	S\$160,000
Ooi Eng Peng	1 Year 3 Months	S\$170,000	-	S\$170,000
Simon Garing	4 Years 4 Months	N.A.	N.A.	N.A.

## Remuneration for KMP

The Manager has an established and rigorous process for the performance review of all employees, including senior executives. The performance of senior executives and whether they have met their individual key performance indicators is evaluated annually by the CEO, with regular feedback being provided during the performance period. At the time of the reviews, the professional development of the senior executive is also discussed, along with any training which could enhance their performance. Both qualitative and quantitative measures are used in the evaluation.

The individual remuneration-linked key performance indicators for the CEO and other KMP include both quantitative and qualitative targets. Each of the quantitative and qualitative targets carries different weight, with approximately 70% of the key performance indicators based on directly measurable targets and 30% weighting to the CEO and KMP displaying behaviours in line with Cromwell Property Group's culture and values.

These behaviours were observed by the Board and assessed based on peer reviews and an independent employee engagement survey.

In determining the payout quantum for each KMP under the STI plan, the Board also considers, amongst other factors, the overall business performance and individual performance relative to KPIs as well as affordability.

A long-term incentive Performance Unit Plan (PUP) is also offered to the CEO and KMP, with certain vesting criteria, including the achievement of future budgeted DPU and Total Unitholder Returns on the SGX-ST, pending 3 year minimum tenure requirements. The costs and benefits of long-term incentive schemes are carefully evaluated. In normal circumstances, all forms of deferred remuneration vest over a period of three years. Executive Directors and KMP are encouraged to hold their Units beyond the vesting period, subject to associated tax liability or personal circumstances.

No remuneration of Directors and employees of the Manager (in their capacity as Director or employee of the Manager) are (a) paid in the form of shares or interests in the Manager's controlling shareholder or its related companies; or (b) linked (directly or indirectly) to the performance of any entity other than CEREIT. Management and the Board are satisfied that the current arrangement results in a strong alignment of interest with all Unitholders. The Manager has in place policies and procedures to address any conflicts of interests or potential misalignment, which the NRC has oversight from a remuneration perspective.

For the avoidance of doubt, all remuneration paid to Directors and employees is paid for by the Manager and has no financial impact on CEREIT. Any Units awarded to employees are owned by and transferred from the Manager and not from CEREIT.

## The framework for Remuneration of KMP

Remuneration for KMP comprises fixed components, variable cash components, Unit-based components and employee benefits:

### A. Fixed Components

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund or other social security system. There was a minimum 3% increase in the fixed remuneration of the CEO and the other KMP in FY 2022.

# CORPORATE GOVERNANCE

## B. Variable Cash Components (Short-Term Incentives)

The variable cash component is linked to the achievement of annual performance targets and threshold for each KMP as agreed at the beginning of the financial year with the Board.

Under the framework for the variable cash components, CEREIF's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets such as targets relating to DPU and operating earnings; these are cascaded down throughout the organisation, thereby creating alignment across CEREIF.

These measurable targets impact the bonus paid by the Manager and, for FY 2022, include the following:

- (a) meeting and exceeding the DPU as set out in the annual budget;
- (b) meeting and exceeding the FY 2022 operating budget;
- (c) achieving minimum portfolio occupancy;
- (d) successfully refinancing debt facilities which are targeted for the financial year;
- (e) maintaining an investment-grade credit rating and operating well within Board policy range;
- (f) achieving zero compliance breaches with no material internal or external audit observations;
- (g) meeting the annual target GRESB and other ESG related index scores; and
- (h) successfully completing identified key transactions (including asset sales and asset enhancement and development milestones) for the financial year while integrating sustainability risks in investment decisions.

The amount of weight accorded to each qualitative and quantitative target varies depending on the roles and functions of the CEO and KMP. The CEO and KMP largely met or exceeded their key performance indicators in FY 2022. Three factors that impacted on certain targets (both positively and negatively) should be noted:

- (a) FY 2022's DPU was 1.3% ahead of FY 2021, like-for-like NPI (excluding new acquisitions and divestments completed in FY 2021 and FY 2022, rental income from Via Nervesa 21, Milan due to redevelopment, and a one-off write back of doubtful debt provisions that occurred in FY 2021) was flat and occupancy increased 100 bps to 96% and WALE maintained at 4.6 years;
- (b) NAV dropped €0.10 to €2.42 per Unit due mostly to the 1.6% decline in valuations in December 2022, while aggregate LTV remained within the Board policy range of 35-40%; and
- (c) CEREIF's TSR was in the bottom quartile of the SREIT index and provided a negative 36% annual return to 31 December 2022

Generally, the KMP saw substantial reduction in their STI remuneration as a result of the underperformance of CEREIF in FY 2022.

For FY 2023, the KMP will only be eligible for a STI award once 2 gateway tests are passed: at least 95% of budgeted DPU is achieved and the corporate values and behaviours are upheld throughout the year.

### C. Performance Unit-Based LTI Components (PUP)

Under the PUP, the Manager grants Unit-based awards with pre-determined performance vesting targets being set over the relevant performance period. The PUP awards represent the right to receive fully paid Units, their equivalent cash value or a combination thereof, free of charge, provided that certain prescribed performance conditions are met over the three-year period. The final number of Units to vest and be released will generally depend on the achievement of the pre-determined targets at the end of the performance period, after passing 2 gateway tests: 1) at all times demonstrating behaviour in line with CEREIT and the Manager's values and Code of Conduct and 2) meeting at least 95% of budgeted DPU. There are the normal market practice for good behaviour leaver, change of control of the Manager and *malus* clawback provisions.

These targets had previously included look back tests on DPU and Total Return metrics on SGX-ST including both Unit price performance and yield. As a result, the 2019 PUPs awarded in March 2020 recently lapsed unvested given the failure to meet the vesting tests relevant to the 3 years (2020-2022).

- i For the 2022 PUPs, there are 2 vesting tests, equally weighted to determine the final allotment of CEREIT units: The first test is based on achieving the average of the 3 year budgeted operating DPU.
  - 50% vesting for 95% gateway achievement of budgeted DPU, up to 100% vesting for 105% achievement of budgeted DPU – pro-rata straight line.
- ii The second test is for the 3 year annualised Absolute Total Unitholder Return (ATUR) to exceed the budget distribution yield, using the FY 2023 DPU budget and opening price at 31 December 2022 to set the minimum ATUR required.
  - The gateway to this threshold is achieving 100% of budget distribution yield and ATUR achievement >P50<sup>th</sup> percentile of the EPRA Developed Euro Index with 50% vesting at the threshold and up to 100% vesting for up to 150% of the ATUR relative to the budget distribution yield benchmark.
  - If ATUR achievement is below the threshold (0% vesting) but above P50 of the EPRA Developed European Index Total return, up to 50% of this component of the PUP can be vested at the Board's discretion.

The Board has absolute discretion to decide on the final awards, taking into consideration any other relevant circumstances. PUP will be forfeited if an employee ceases employment, subject to Board discretion in the case of "good leavers". The Board has discretion to vest PUPs on change of control and award PUPs payments for part periods on such events. For the avoidance of doubt, there is no financial impact on CEREIT as a result of the PUP as the Units are not new units issued by CEREIT. The PUP Units are transferred either from the Manager's own holdings or its related entities or acquired on market by the Manager.

### D. Employee Benefits

The Manager's remuneration package includes benefits such as life and health insurance, complimentary annual physical and mental health checks, parental leave and mandatory retirement contributions according to prevailing local market practices. These benefits extend to all employees of the Manager (including full-time and contracted employees).

The breakdown of the remuneration of the CEO and the KMP in percentage terms, are provided in the KMP's Remuneration Table on page 176 of this Annual Report.

For FY 2022, the Manager does not have any employee who is a substantial shareholder of the Manager, substantial Unitholder, or an immediate family member of a Director, the CEO, any substantial shareholder of the Manager or a substantial Unitholder. Immediate family member refers to the spouse, child, adopted child, step-child, sibling or parent. There was no termination, retirement or post-employment benefits granted to Directors, CEO and any KMP. There were also no special retirement plans, "golden parachute" or special severance packages given to any KMP.

# CORPORATE GOVERNANCE

## Key Management Personnel's Remuneration Table for FY 2022

The CEO's annual remuneration in actual amount and other KMP remuneration in bands of S\$250,000, together with a breakdown of their respective remuneration components in percentage terms, are set out in the Remuneration Table below. Exact figures of the other KMP's remuneration have not been provided due to the competitive nature of the Singapore REIT employment market which may be prejudicial to Unitholders' interests. The remuneration is at the Manager's expense and not the Unitholders'. The bands are based on the sum of the fixed remuneration, STI and LTI amounts. The Manager has adopted Aon's assessment of the PUPs, given the uncertainty of vesting amounts or value. The remuneration of the KMP is not borne by CEREIT as it is paid out of the fees that the Manager receives (the quantum and basis of which have been disclosed).

		Base/Fixed Salary	Variable or Performance Related Income	Award of Long-Term Incentive (PUP) - Face Value	Total
<b>CEO's Remuneration S\$1,268,721</b>					
CEO	Mr Simon Garing	49%	27%	24%	100%
<b>Band</b>	<b>S\$750,000 to S\$1,000,000</b>				
CFO	Mr Shane Hagan	58%	12%	30%	100%
<b>Band</b>	<b>S\$500,000 to S\$750,000</b>				
COO/IR	Ms Elena Arabadjieva	62%	21%	17%	100%
HOP	Mr Andreas Hoffmann	60%	20%	20%	100%
Aggregate of the total remuneration for the KMP (including CEO): S\$3,152,000					

Apart from the KMP and other employees of the Manager, the Manager outsources various other services to Cromwell Europe Ltd, the Property Manager. This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of CEREIT from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of the employees of the Property Manager and Cromwell Property Group, is not included as part of the disclosure of remuneration of KMP in this Report. Further details relating to the Sponsor's KMP and remuneration policies may be found in Cromwell Property Group's annual report.

## Principle 9: Risk Management and Internal Controls

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

The Board has overall responsibility for the governance of risk and determines the nature and extent of the significant risks which it is willing to take. The ARC assists the Board in carrying out the Board's responsibility of overseeing CEREIT's risk management framework and policies. The ARC oversees Management in the design, implementation and monitoring of risk management and internal controls systems. The ARC also makes recommendations to the Board on the nature and extent of the significant risks, including risk tolerance limits and other associated risk parameters, which the Board is willing to assume in achieving its strategic objectives and value creation.

### Risk Management

Responsibility for managing risks lies with the Manager, working within the overall strategy outlined by the Board. The Manager has appointed an experienced and well qualified management team to handle its day-to-day operations.

The Manager has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance, IT and emerging risks such as sanctions-related risks to safeguard Unitholders' interests and CEREIT's assets. CEREIT has implemented a comprehensive ERM framework which enables CEREIT to deal with business opportunities and uncertainties by identifying key risks and enacting the appropriate mitigating plans and actions. The ERM framework provides information for CEREIT's stakeholders to make an informed assessment of CEREIT's risk management and internal control systems. The ERM framework lays out the governing policies, processes and systems to identify, evaluate and manage risks as well as to facilitate the assessment on the adequacy and effectiveness of CEREIT's risk management system.

### Independent Review and Internal Controls

Where the external auditors, in their audit of CEREIT's year-end financial statements, raise any significant issues (e.g. significant adjustments) which have a material impact on the financial statements or business and operational updates previously announced by CEREIT, the ARC should bring this to the Board's attention immediately. The ARC should also advise the Board if changes are needed to improve the quality of future financial statements or financial updates.

The internal auditor conduct reviews that involve testing the effectiveness of the material internal controls addressing financial, operational, compliance and IT risks and risk management processes. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the ARC. The adequacy and effectiveness of the measures taken by the Manager in response to the recommendations made by the internal and external auditors are also reviewed by the ARC.

The internal control process of the Manager comprises three lines of defence, with each contributing towards the adequacy and effectiveness of CEREIT and the Manager's system of internal controls and risk management.

As part of the first line of defence, Management is required to ensure good corporate governance through implementation and management of policies and procedures relevant to CEREIT's and the Manager's business scope and environment. Such policies and procedures govern financial, operational, IT and regulatory compliance matters and are reviewed and updated periodically.

# CORPORATE GOVERNANCE

Under the second line of defence, CEREIT and the Manager conduct regular self-assessment on the status of their respective internal controls and risk management via process controls and checklists. Action plans would then be drawn up to remedy identified control gaps. Under CEREIT's ERM framework, significant risk areas are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. Regulatory compliance supports and works alongside business management to ensure relevant policies, processes and controls are effectively designed, managed and implemented to ensure compliance risks and controls are effectively managed.

Under the third line of defence, the CEO, CFO, and KMP are required to provide CEREIT and the Manager with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. The internal and external auditors provide added independent assessments of the overall control environment.

For FY 2022, the Board has received assurance from:

- (a) the CEO and the CFO, that the financial records of CEREIT have been properly maintained and the financial statements give a true and fair view of CEREIT's operations and finances. In addition, the Board has received similar assurance from the external auditor; and
- (b) the CEO and other relevant KMP, that the system of risk management and internal controls in place for CEREIT is adequate and effective to address the financial, operational, compliance and IT risks which the Manager considers relevant and material to the current business environment.

The CEO and the CFO have obtained similar assurances from the relevant respective risk and control owners.

In addition, in FY 2022, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders as required by the Listing Manual.

Based on the reviews conducted by Management and work performed by both internal and external auditors, as well as the assurance from the CEO and the other relevant KMP, the Board is of the opinion that CEREIT's system of risk management and internal controls is adequate and effective to address the financial, operational, compliance and IT risks which the Manager considers relevant and material to the current business environment as at 31 December 2022. The ARC concurs with the Board in its opinion. No material weaknesses in the systems of risk management and internal controls were identified by the Board and the ARC in the review of FY 2022. CEREIT has maintained proper records of the discussions and decisions of the Board and the ARC.

The Board notes that the system of risk management and internal controls established by the Manager provides reasonable assurance that CEREIT, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

## Principle 10: Audit Committee

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

The ARC is appointed by the Board from among the Directors and is composed of three members, all of whom are CEREIT IDs, more than the minimum Code requirement of at least a majority (including the Chair of the ARC) to be CEREIT IDs. The members of the ARC are Mrs Fang Ai Lian, Mr Lim Swe Guan and Mr Christian Delaire, all of whom are independent and non-executive Directors. Mrs Fang Ai Lian is the Chair of the ARC.

The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains; in particular, the Chair of the ARC is a Fellow of the Institute of Singapore Chartered Accountants, among other professional affiliations. None of the ARC members was previously a partner of the incumbent external auditors, Deloitte, within the previous two years nor does any of the ARC members hold any financial interest in Deloitte.

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

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls.

The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The Board and the ARC play a key role in the protection of minority Unitholders, monitoring and managing potential conflicts of interest of Management, Board members and Unitholders.

Under its terms of reference, the ARC's scope of duties and responsibilities includes:

- (a) reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- (b) reviewing the significant financial reporting issues and key areas of management judgements so as to ensure the integrity of the financial statements of CEREIT and any announcements relating to CEREIT's financial performance;
- (c) ensuring that the internal audit function is adequately resourced and has appropriate standing within the Manager;
- (d) reviewing, on an annual basis, the adequacy, effectiveness and independence of the internal audit function in the overall context of CEREIT's internal controls and risk management systems;
- (e) reviewing the assurance from the CEO and the CFO on the financial records and financial statement;
- (f) reviewing the statements included in CEREIT's annual report on CEREIT's internal controls and risk management framework;
- (g) making recommendations to the Board on the proposals to Unitholders on the nomination for the appointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors;
- (h) reviewing the nature and extent of non-audit services performed by external auditors;
- (i) reviewing, on an annual basis, the independence and objectivity of the external auditors;
- (j) reviewing the effectiveness, independence, adequacy, scope and results of the external audit and the internal audit function;

# CORPORATE GOVERNANCE

- (k) meeting with external and internal auditors, without the presence of Management, at least on an annual basis;
- (l) assisting the Board to oversee the formulation, updating and maintenance work of adequate and effective risk management framework;
- (m) reviewing the whistle-blowing policy and arrangements put in place by which staff and external parties may, in confidence, raise possible improprieties in matters of financial reporting or other matters, for the independent investigation of such matters and for appropriate follow up actions;
- (n) reviewing at least annually the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and IT controls, and risk management processes;
- (o) reviewing the financial statements and the internal audit report;
- (p) monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to “interested person transactions” and the provisions of the Property Funds Appendix relating to “interested party transactions” (also collectively known as “Related Party Transactions”);
- (q) reviewing transactions constituting Related Party Transactions;
- (r) reviewing, on an annual basis, a report on the asset allocation conflict decisions pursuant to the Cromwell Property Group Allocation Process which governs the allocation of investment opportunities from Cromwell Property Group’s origination pipeline in a fair and equitable manner to all funds established and/or sponsored by Cromwell Property Group;
- (s) deliberating on conflicts of interest situations involving CEREIT, including situations where the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of CEREIT with a Related Party of the Manager and where the Directors, controlling shareholder of the Manager and Associates (as defined in the Listing Manual) are involved in the management of or have shareholding interests in similar or related business as the Manager, and in such situations, the ARC will monitor the investments by these individuals in CEREIT’s competitors, if any, and will make an assessment whether there is any potential conflict of interest;
- (t) reviewing internal and external audit reports at least once a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- (u) monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;
- (v) reviewing and providing their views to the Board on all hedging policies and instruments to be implemented by CEREIT;
- (w) reviewing all hedging policies and procedures to be implemented by CEREIT for the entry into of any hedging transactions (such as foreign exchange hedging and interest rate hedging) and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
- (x) investigating any matters within the ARC’s terms of reference, whenever it deems necessary; and
- (y) reporting to the Board on material matters, findings and recommendations.

The ARC reviews non-audit services provided by the external auditors, Deloitte. There were no such services provided in FY 2022 (FY 2021: €65,000). The ARC is satisfied that the independence of the external auditors has not been impaired by the provision of those services, where applicable. The aggregate amount of fees paid and payable to the external auditors was €948,000. Audit and audit-related fees included audit fees for all of the countries in which CEREIT has its properties and holding entities.

The external auditors have provided confirmation of their independence to the ARC. Cognisant that the external auditor should be free from any business or other relationships with CEREIT that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to CEREIT's relationships with them during FY 2022. In determining the independence of the external auditor, the ARC reviewed all aspects of CEREIT's relationships with it including the processes, policies and safeguards adopted by CEREIT and the external auditor relating to auditor independence.

There were no non-audit services provided by the external auditors to CEREIT in FY 2022. Nevertheless, the ARC will continue to review and monitor any such fees and ensure that the fees for such non-audit services will not impair or threaten auditor independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of CEREIT's statutory financial audit.

CEREIT has complied with Rule 712 and Rule 715 read with Rule 716 of the Listing Manual in relation to the appointment of its auditing firms. In particular, the ARC is of the view that Deloitte is a suitable auditing firm having regard to the adequacy of the resources and experience of the auditing firm and the audit partner- in-charge assigned to the audit, the firm's other audit engagements, the size and complexity of CEREIT, and the number and experience of supervisory and professional staff assigned to the audit of CEREIT.

Under Rule 713 of the Listing Manual, CEREIT was not required to rotate its current external audit partner-in-charge in FY 2022 as the partner-in-charge had not been in charge of more than five consecutive annual audits. However, the external audit partner will be rotated in FY 2023 following the completion of five consecutive annual audits.

The ARC meets with the internal and external auditors at least once a year without the presence of Management. In FY 2022, the ARC met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the ARC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

In its review of the financial statements of CEREIT for FY 2022 the ARC had discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The ARC also considered the clarity of key disclosures in the financial statements. The ARC reviewed, among other matters, fair valuation and disclosure of fair value for investment properties, a key audit matter identified by the external auditors for FY 2022.

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the ARC at its meetings.

The Manager has in place an internal audit function which has been outsourced to KPMG Services Pte. Ltd. which reports directly to the ARC and administratively to the CEO. The ARC is of the view that the internal audit function is independent, effective and adequately resourced. The ARC is satisfied that the internal audit function in the overall context of CEREIT's risk management system is adequate and effective.

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KPMG is a reputable accounting and auditing firm staffed by qualified professionals with the relevant qualifications and experience. The audit methodology adopted is guided by the firm's global internal auditing standards and the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the IIA. For FY 2022, the internal audit work carried out by KPMG was in conformance with IIA standards.

The internal auditors plan their internal audit schedules in consultation with, but independently of, Management and their plan is submitted to the ARC for approval at the beginning of each year. The internal auditors report directly to the ARC and have unfettered access to the Manager's documents, records, properties and employees, including access to the ARC, and has appropriate standing within the Manager. Where applicable, the ARC also decides on the appointment, termination and remuneration of the internal auditors.

## (C) UNITHOLDER RIGHTS AND ENGAGEMENT

## (D) MANAGING STAKEHOLDERS RELATIONSHIPS

### Principle 11: Unitholder Rights and Conduct of General Meetings

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

The Manager treats all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in distributions of income. Unitholders are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate Unitholder, through its appointed representative). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two-proxy limitation and are able to appoint more than two proxies to attend, speak and vote at general meetings of CEREIT.

The Manager supports the principle of encouraging Unitholders' participation and voting at general meetings, notwithstanding the limitations that have been caused by the COVID-19 pandemic. Unitholders were informed of the change from a physical AGM to a meeting held by way of electronic means, together with the relevant rules and voting procedures of such meetings. In line with CEREIT's sustainability strategy, an electronic version of the Annual Report is available on CEREIT's website at [www.cromwelleuropeanreit.com.sg](http://www.cromwelleuropeanreit.com.sg) (printed copies are available upon request). Notices of the general meetings are publicised appropriately within the requisite notice period on SGXNet, on CEREIT's website and also, as appropriate, advertised in media. Proxy forms are also made available within the requisite notice period on SGXNet and on CEREIT's website. The requisite notice period for a general meeting is adhered to. In 2022, the Notice of AGM was published on 4 April 2022, 22 days in advance of the AGM, giving Unitholders sufficient time to register and submit questions in advance, in view of the restriction in holding physical meetings due to the COVID-19 pandemic.

All Unitholders are given the opportunity to participate effectively in and vote at general meetings. At general meetings, Unitholders are encouraged to communicate their views and discuss with the Board and Management matters affecting CEREIT, again notwithstanding the limitations that have been caused by the COVID-19 pandemic. Every effort is made for representatives of the Trustee, Directors (including the chairs of the Board, ARC respectively), the Manager's senior Management and the external auditors of CEREIT, to be present at general meetings to address any queries from Unitholders, including Unitholders' queries about the conduct of audit and the preparation and content of the auditors' reports. Registered Unitholders were able to observe the AGM proceedings through a live audio-visual webcast or live audio-only stream, or "live" at the AGM via an online chatbox. Both the Chair and the CEO attended the fourth AGM. A record of the Directors' attendance at the general meetings can be found in the records of their attendance of meetings set out on page 160 of this Annual Report.

As a precautionary measure due to the then COVID-19 situation in Singapore, listed companies were encouraged to conduct their general meetings via electronic means. Accordingly, the Manager made virtual meeting arrangements for the AGM.

To safeguard Unitholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, unless the resolutions are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Manager explains the reasons and material implications in the notice of meeting. To ensure transparency in the voting process and better reflect Unitholders' interest, the Manager conducts electronic poll voting for all the resolutions proposed at the general meetings unless such meetings are held virtually where all voting will be by way of proxy. Although live voting was not possible at the fourth AGM, the Manager provided advanced voting by proxy for polling on all resolutions. Voting procedures are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. DrewCorp Services Pte Ltd was appointed as independent scrutineer for the fourth AGM. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to Unitholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings.

Provision 11.4 of the Code requires an issuer's Constitution to allow for absentia voting at general meetings of Unitholders. Voting in absentia and by email, which are currently not permitted may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised, and legislative changes are effected to recognise remote voting. The Manager is of the view that despite the deviation from Provision 11.4 of the Code, Unitholders nevertheless have opportunities to communicate their views on matters affecting CEREIT even when they are not in attendance at general meetings. For example, Unitholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings. The Manager is accordingly of the view that its practice is consistent with the intent of Principle 11 of the Code as a whole.

The Company Secretary prepares minutes of general meetings, which include substantial comments or queries raised by Unitholders and the responses from the Chair, Board members and Management. These minutes are posted on CEREIT's website as soon as practicable.

Directors are present whether physically or by video conference or other means for the entire duration of general meetings. At general meetings, Management conducts formal presentation to the Unitholders to update them on CEREIT's performance, position and prospects. Presentation materials are made available on SGXNet and CEREIT's website on the same day of AGM. In the case of physical general meetings, the Chair facilitates constructive communication between Unitholders and the Board, Management, external auditors and other relevant professionals. The Chair also allows specific directors, such as Board Committee chairs, to answer queries on matters related to their roles. Unitholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting CEREIT before and/or after the general meetings. All Directors are provided with personal CEREIT business cards with their contact information that they can present to Unitholders, should Unitholders wish to follow up directly on specific matters with the respective directors.

During CEREIT's fourth AGM held on 26 April 2022, Unitholders were able to ask "live" questions through an online chatbox at the AGM during the audio-visual webcast or audio-only stream. In addition, the Manager provided several options for submission of questions to the Chair in advance of the AGM. The Board received valuable feedback from the Unitholders during the advance submission. All substantial and relevant questions submitted in advance of the AGM were addressed either prior to or during the AGM. A combined AGM and Annual Report-related Q&A addressing questions which the Manager did not address during the AGM was published on SGXNet and on CEREIT's website prior to the AGM. The Manager published the minutes of the AGM on SGXNet and on CEREIT's website, and the minutes included the responses to the substantial and relevant questions that were addressed during the AGM.

CEREIT has a formalised distribution policy which aims to largely distribute operating income to Unitholders, defined under the Trust Deed as Distributable Income with customary adjustments as allowed under the Trust Deed, while striving for an efficient capital structure.

Through this policy, CEREIT seeks to provide consistent and sustainable distribution payments to its Unitholders.

# CORPORATE GOVERNANCE

Although CEREIT's distribution policy is to distribute at least 90% of CEREIT's annual distributable income for each financial year, CEREIT has distributed 100% of its distributable income since IPO. The actual level of distribution will be determined at the Manager's discretion. Unitholders are provided a choice to receive the distribution in either Euro or Singapore Dollars each period. The Manager will endeavour to pay distributions no later than 90 days after the end of each distribution period.

Distributions for FY 2022 were paid according to schedule and represented 100% of Annual Distributable Income. For every distribution declaration made, Unitholders will be notified via an announcement made through SGXNet. The Board resolved to suspend the DRP for FY 2022 given the unit price discount to net asset value.

## Principle 12: Engagement with Unitholders

*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.*

For more information, please refer to the [Investor Relations](#) section, commencing on page 50 of this Annual Report and summarised together with Principle 13 as follows.

## Principle 13: Engagement with Stakeholders

*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 the execution of its duties, the Board adopts an inclusive approach and not only considers CEREIT's obligations to its Unitholders but also the interests of its material stakeholders, as part of its overall responsibility to ensure that the best interests of CEREIT are served.

The Board is directly involved in all aspects of formulating and approving the sustainability strategy of CEREIT and receives quarterly updates on the progress that the Manager makes in all stakeholder engagement matters. The material stakeholder groups of CEREIT are clearly defined and specific activities to engage with each group are documented in CEREIT's FY 2021 Sustainability Report which was published in May 2022 and will be updated again for CEREIT's FY 2022 Sustainability Report, to be published by the end of April 2023.

The Manager is committed to provide regular updates on CEREIT's financial results and operating performance and to provide timely information on any material changes that could potentially affect CEREIT's unit price.

The Manager has a dedicated investor relations team that runs a proactive investor outreach programme. CEREIT's investor communications activities are governed by:

- (a) CEREIT's market disclosure protocol, which ensures that CEREIT timely discloses all price-sensitive information to the SGX-ST in accordance with the Listing Manual and that all Unitholders have equal and timely access to material information concerning CEREIT, including its financial position, performance, ownership and governance; and
- (b) the Manager's investor relations policy, which outlines the principles and practices followed by the Manager to ensure regular, effective and fair two-way communication with the investment community.

The Manager provides Unitholders with financial statements within the relevant periods prescribed by the Listing Manual after they are reviewed by the ARC and approved by the Board. Full-year and half-year result announcements include financial statements and supplementary materials such as results presentations and media releases. First and third quarter interim business updates are provided which include presentations, key financial metrics, media releases and other supplementary information in-line with the revised Rule 705(2) of the Listing Manual.

The Manager uploads all announcement materials on SGXNet, on CEREIT's website and further publicises them on CEREIT's LinkedIn site at <https://sg.linkedin.com/company/cromwell-european-reit> as appropriate. Full-year and half-year announcements are also typically accompanied by video messages intended for general audience that are uploaded on CEREIT's website and on CEREIT's LinkedIn site.

Other than financial results announcements, the Manager releases market-relevant general corporate announcements, media releases, investor presentations and annual and sustainability reports on SGX-ST in a timely manner and concurrently makes them available on CEREIT's website, investor relations section. CEREIT's website features company news as well as information on the Manager's strategy, Board and the Management team. Regularly updated information on CEREIT's properties, including property photographs, descriptions and maps is also available on CEREIT's website.

In presenting the financial statements and business updates to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of CEREIT's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a regular basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of CEREIT's financial performance, position and prospects.

The Manager has made its investor relations policy available on CEREIT's website at [https://investor.cromwelleuropeanreit.com.sg/investor\\_policy.html](https://investor.cromwelleuropeanreit.com.sg/investor_policy.html) for greater transparency. Amongst others, the policy also specifically outlines the various modes of communication with Unitholders and the ways in which the Manager solicits the views of the Unitholders. The Manager engages with Unitholders and the investment community to communicate CEREIT's strategic business plans and operating performance, share latest corporate and industry developments as well as to gather their views and feedback on a range of strategic and topical issues. Such interactions allow Management to understand and consider the views and feedback from Unitholders and the investment community before formulating its key strategic decisions. To facilitate further the ability for Unitholders to ask questions and receive responses in a timely manner, the Manager has a dedicated investor relations section on CEREIT's website featuring online enquiry forms, 'Email Alerts' subscription option and a specific investor relations contact with email address so that Unitholders can subscribe for regular updates and direct their enquiries. The investor relations team responds to all credible and substantiated Unitholder enquiries in a timely manner, either via email or a phone call.

More information on the Manager's investor and media relations practices, calendar of activities, specific investor relations contacts and information on the various modes of communication with Unitholders and the available avenues for asking questions and receiving responses can be found in the Investor Relations section on pages 50 to 55 of this Annual Report.

## **(E) ADDITIONAL INFORMATION**

### **Related Party Transactions**

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

The Manager has established an internal controls system to ensure that all Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CEREIT and its Unitholders. In respect of such transactions, the Manager would have to demonstrate to the ARC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CEREIT and its Unitholders. These measures include obtaining (where practicable) quotations from parties unrelated to the Manager or obtaining two or more valuations from independent professional valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix), with one of the valuers commissioned independently by the Trustee. The internal controls system also ensures compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

# CORPORATE GOVERNANCE

The Manager maintains a register to record all Related Party Transactions which are entered into by CEREIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

The Manager also incorporates into its internal audit plan a review of the Related Party transactions entered into by CEREIT. The ARC reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee also has the right to review such audit reports and is provided with such to ascertain that the Property Funds Appendix has been complied with.

In particular, the procedures in place include the following:

- (a) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of CEREIT's net tangible assets will be subject to review by the ARC at regular intervals;
- (b) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of CEREIT's net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of CEREIT and its Unitholders and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- (c) transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of CEREIT'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 ARC 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. Furthermore, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

CEREIT will also, in compliance with Rule 905 of the Listing Manual, announce any Related Party Transaction in accordance with the Listing Manual if the value of such transaction, by itself or when aggregated with other Related Party Transactions entered into with the same Related Party during the same financial year, is 3.0% or more of CEREIT's latest audited net tangible assets.

Subject to Rules 905(5) and 906(4) of the Listing Manual, transactions with a value below S\$100,000 are disregarded for the purpose of the announcement and Unitholders' approval requirements under the Listing Manual as set out in the paragraphs above.

Under Rules 905(5) and 906(4) of the Listing Manual, while transactions with a value below S\$100,000 are not normally aggregated under Rules 905(3) and 906(2) of the Listing Manual respectively, the SGX-ST may aggregate transactions with a value below S\$100,000 entered into the same financial year and treat them as if they were one transaction in accordance with Rule 902 of the Listing Manual.

Where matters concerning CEREIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of CEREIT with a Related Party of the Manager (which would include relevant Associates (as defined in the Listing Manual) thereof) or CEREIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- (a) on normal commercial terms;
- (b) are not prejudicial to the interests of CEREIT and its Unitholders; and
- (c) are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the Manager or the Trustee. If the Trustee is to sign any contract with a Related Party of the Manager or the Trustee, the Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (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 CEREIT.

#### **Exempted Agreements**

In the case of external Managers for REITs, Related Party Transactions mostly relate to management fees and property management fees, leasing fees, development management fees and project management fees. These are paid either quarterly or as charged in accordance to the terms disclosed in the IPO prospectus and reported each year in the financial statements.

The fees and charges payable by CEREIT to the Manager under the Trust Deed are considered as Related Party Transactions which are deemed to have been specifically approved by the Unitholders upon their purchase of Units, to the extent that there are no subsequent changes to the rates and/or bases of the fees charged thereunder which will adversely affect CEREIT. Accordingly, they are treated as “exempt” from the related party transaction rules for aggregation and not subject to Rules 905 and 906 of the Listing Manual.

Pursuant to the terms of the Trust Deed, Unitholder approval via extraordinary resolution is required for any increase in the rate or any change in the structure of the Manager's management fee, or any increase in the permitted level of the Manager's acquisition fee or divestment fee. The Management agreement is detailed in CEREIT's IPO prospectus which is available on CEREIT's website, including the initial tenor of 10 years.

All Related Party Transactions are regulated by Chapter 9 of the Listing Manual and the Property Funds Appendix. All Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of CEREIT and our Unitholders.

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

The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted on normal commercial terms and are not prejudicial to the interests of CEREIT and Unitholders.

The Manager maintains a register to record all Related Party Transactions which are entered into by CEREIT and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

On a quarterly basis, Management reports to the ARC the Related Party Transactions entered into by CEREIT. The Related Party Transactions are also reviewed by the internal auditors on a semi-annual basis and all findings (if any) are reported during the ARC meetings.

# CORPORATE GOVERNANCE

The internal auditors have confirmed that based on sample testing performed on the Related Party Transactions for FY 2022 and the confirmation received from the Manager, that the Related Party Transactions have been conducted at arms-length and in compliance with the Listing Manual, no exceptions have been noted and they are unaware of any Related Party Transactions that may be prejudicial to the interests of CEREIT.

The Manager also incorporates into its internal audit plan a review of the Related Party Transactions entered into by CEREIT. The ARC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review may also include a review of any other such documents or matter as may be deemed necessary by the ARC. If a member of the ARC has an interest in a transaction, he/she is to abstain from participating in the review and approval process in relation to that transaction.

Details of all Related Party Transactions (equal to or exceeding S\$100,000 each in value) entered into by CEREIT in FY 2022 are disclosed on page 280 of this Annual Report. Non-exempted fees and exempted fees represent nil and 1.1% respectively of gross asset value as at 31 December 2022.

## Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, executive officers and employees) may encounter in managing CEREIT and were fully adhered in FY 2022:

- (a) the Manager will not manage any other REIT which invests in the same type of properties as CEREIT;
- (b) all executive officers will work exclusively for the Manager and will not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager;
- (c) all resolutions in writing of the Directors in relation to matters concerning CEREIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one CEREIT ID;
- (d) (i) the Chair of the Board and the CEO are not the same person, (ii) the Chair of the Board and the CEO are not immediate family members, (iii) the Chair of the Board is not part of Management, (iv) the Chair of the Board is an ID, and (v) the Board shall comprise at least half CEREIT IDs;
- (e) in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;
- (f) in respect of matters in which the Sponsor and/or its subsidiaries have an interest, whether direct or indirect, any non-independent directors appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise only CEREIT IDs and must exclude such nominee non-independent Directors of the Sponsor and/or its subsidiaries;
- (g) save as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest and for so long as the Manager is the manager of CEREIT, the controlling shareholders of the Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Manager and/or of any of its associates have a material interest; and

- (h) if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of CEREIT with a Related Party of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of CEREIT, 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 (including the CEREIT IDs) will 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 for and on behalf of CEREIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

### Dealings in Securities

The Manager has devised and adopted a security dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Manager and the Sponsor have issued guidelines to the Directors and employees of the Manager as well as officers and employees of the Sponsor, which set out prohibitions against dealings in CEREIT's and the Sponsor's securities (i) while in possession of non-public price-sensitive information and (ii) during the two weeks immediately preceding, and up to the time of the announcement of, CEREIT's interim business and operational updates, or during the one month immediately preceding, and up to the time of the announcement of, CEREIT's half-year and full-year financial results, property valuations, or financial results and property valuations (whichever is applicable).

Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Manager and the relevant executives of the Sponsor to inform them of the duration of the period.

The Manager will also not deal in CEREIT's Units during the same period.

In addition, all officers and employees, including but not limited to, capital markets services licence appointed representatives of the Manager, are required to make a declaration that the basis on which they have traded in CEREIT securities have not been made on the basis of any non-public price sensitive information in relation to the Units. Employees are required to obtain pre-trading approval from the CEO before any dealing in CEREIT's securities. The CEO shall obtain pre-trading approval from the Chair of the ARC, and the Chair of the ARC obtains approval from the Chair of the Board. All parties abovementioned are required to provide post-trading notification to the Risk and Compliance department of the Manager.

Further to the above, all appointed representatives of the Manager are required to:

- (a) maintain a Register of Interests in listed specified products (the "Register");
- (b) enter into the Register, within seven days after the date that he/she acquires any interest in any listed shares or units, particulars of the listed shares or units in which he/she has an interest and particulars of his/her interests in those listed shares or units;
- (c) retain that entry in easily accessible form for a period of not less than five (5) years after the date on which such entry was first made; and
- (d) submit a copy of the Register to the Risk and Compliance Department of the Manager upon request.

# CORPORATE GOVERNANCE

Directors and employees of the Manager as well as certain executives of the Sponsor group are also prohibited from dealing in securities of CEREIT if they are in possession of unpublished price-sensitive information of CEREIT by virtue of their status as Directors and/or employees. As and when appropriate, they would be issued an advisory to refrain from dealing in CEREIT's securities.

Under the policy, Directors and employees of the Manager as well as certain relevant executives of the Sponsor are also discouraged from trading on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

## **(F) CODE OF BUSINESS CONDUCT**

The Manager adheres to an ethics and code of business conduct, which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published internally and is accessible by all employees of the Manager.

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

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

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place.

Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

The Manager conducts compulsory training on subjects such as bullying and sexual and racial harassment. All employees also undertake diversity and subconscious bias awareness training. The Sponsor has established a Diversity, Equity and Inclusion committee, which meets quarterly to organise and implement programmes to encourage awareness.

## **Bribery and Corruption Prevention Policy**

The Manager adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are expected to uphold the Manager's core values and not to engage in any corrupt or unethical practices.

The Manager has adopted the Anti-Bribery and Anti-Corruption Policy which sets out the responsibilities of CEREIT and the Manager and of each employee in observing and upholding the Manager's 'zero tolerance' position against all forms of corruption, bribery and extortion, and provides information and guidance to employees on how to recognise, address, resolve, avoid and prevent instances of corruption, bribery and extortion, including the Manager's stance against facilitation payments and kickbacks, which may arise in the course of their work.

In FY 2022, to the best of its knowledge, the Manager (i) is in full compliance with all relevant modern slavery legislation, (ii) zero significant monetary fines or non-monetary sanctions incurred for non-compliance with environmental laws and regulations, (iii) zero non-compliance with laws and regulations in the social and economic area, (iv) zero fines for non-compliance concerning product and service information labelling and (v) zero incidents of non-compliance concerning health and safety impacts of products and services, (vi) zero incidents of reported corruption, (vii) zero legal actions for anti-competitive behaviour and anti-trust of monopoly practices. The Manager reported no lost days or deaths due to work injuries.

Further details of its ESG review will be released in the Annual Sustainability Report.

In addition to the Anti-Bribery and Anti-Corruption Policy, the Manager has adopted a series of measures to prevent corruption and unethical behaviour. These include:

- (a) outlining the responsibilities of all employees to uphold anti-corruption and anti-bribery principles;
- (b) informing and guiding employees on how to pre-emptively identify and avoid instances of corruption;
- (c) implementing policies such as the Supplier Code of Conduct that outline standards of conduct expected suppliers and agents acting on behalf of the Manager; and
- (d) implementing zero tolerances for breaches and gateway thresholds for STI/LTI incentives requiring complying with the Manager's code of conduct and ethical behaviour standards.

In 2022, all of the Manager's employees received mandatory communication and training on anti-bribery and anti-corruption policies and procedures.

As an entity of the Sponsor, the Manager adopts and adheres to the Sponsor's key policies which aims to establish and reinforce the highest standards of integrity and ethical business practices and all the Manager's employees are expected to adhere and stand guided by these policies.

The Manager's Anti-Bribery and Anti-Corruption Policy extends to its business dealings with associated persons who are third parties that represent or who perform services on behalf of CEREIT and the Manager also known as associated persons.

Where there is a greater level of bribery or corruption risk attached to any particular area of business or when working with an associated person, due diligence checks and processes are in place to adequately address and mitigate the risk(s). This includes ethical standards audit and corruption risk assessment as part of the ERM process.

### **Modern Slavery Statement**

As a part of the Sponsor group, the Manager has adopted the Modern Slavery Statement which is in line with significant global regulatory changes affecting CEREIT, the Manager and the Sponsor's operations such as the U.K. Modern Slavery Act 2015 and Australia Modern Slavery Act 2018 which established additional reporting requirements for large organisations to respond to the risk of modern slavery in their operations and supply chains. The Sponsor has published an Anti-Slavery and Human Trafficking Statement that is publicly available on the Sponsor's website [https://www.cromwellpropertygroup.co.uk/data/assets/pdf\\_file/0026/27458/Anti-Slavery-and-Human-Trafficking-Statement.pdf](https://www.cromwellpropertygroup.co.uk/data/assets/pdf_file/0026/27458/Anti-Slavery-and-Human-Trafficking-Statement.pdf) and covers CEREIT's European property management operations and the Manager's operations.

# CORPORATE GOVERNANCE

## Supplier Code of Conduct

A Supplier Code of Conduct which sets out CEREIF's and the Manager's expectations of suppliers to comply with relevant laws, including but not limited to those governing consumer protection, environment, social, anti-competition, human rights, modern slavery and health, safety and welfare laws, is also in place.

Service providers assessed to have higher risks in their supply chain in their approach to modern slavery are generally required to sign a Supplier Code of Conduct which includes a modern slavery commitment prior to engagement or renewal.

## Whistle-Blowing Policy

A whistle-blowing policy which is published on CEREIF's website at <https://www.cromwelleuropeanreit.com.sg/assets/whistle-blower-policy/whistle-blower-statement> and other procedures are put in place to provide well defined, accessible and trusted channels by which a person or entity, including but not limited to employees, applicants for employment, contract workers, vendors, purchasers, contractors or the general public may make a report either anonymously or otherwise, of suspected fraud, corruption, dishonest practices, acts endangering the health and safety of an individual and concealment of any of the aforementioned or other improprieties in the workplace.

The objectives of the whistle-blowing policy are to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and be protected from reprisal and to set out the processes for the independent investigation of any reported incidents and appropriate follow up action.

The Manager is committed to maintaining procedures for the confidential submission of reports and protection of the identity of the whistle-blower. Retaliation of any kind for good faith reports on illegal or unethical behaviour is strictly prohibited.

Investigations of such reports will be handled on a confidential basis to the extent permissible under the law and involve persons who need to be involved in order to properly carry out the investigations and will be carried out in a timely manner. In order to facilitate and encourage the reporting of such matters, the whistle-blowing policy, together with the dedicated whistle-blowing communication channels (email and postal address) are available on CEREIF's website and intranet and is easily accessible by all including third parties. To ensure that the whistle-blowing policy can be adopted and understood by all parties, the Manager has translated the key elements of the whistle-blowing policy into working languages of the countries in which it operates in.

The Manager has engaged KPMG to provide an independent platform for employees as well as external parties such as customers, suppliers, contractors and applicants for employment, to raise concerns in good faith about any perceived irregularity or misconduct, without fear of reprisal.

Concerns about illegal, unprofessional, fraudulent or other unethical behaviour may be referred to the independently managed ethics email at [CEREITwhistleblower@kpmg.com.sg](mailto:CEREITwhistleblower@kpmg.com.sg).

Following a review of the complaint or concern, the Chair of the ARC, where appropriate, will take steps to ensure that matters are appropriately investigated and keep the Board apprised, and if warranted, will request that the Board and Management implement corrective measures.

The whistle-blowing policy and procedures are reviewed by the ARC from time to time to ensure that they remain current.

No whistle-blowing reports were recorded in FY 2022.

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

As a holder of a capital markets services licence issued by MAS, the Manager abides by MAS' notices and guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

- (a) evaluation of risk;
- (b) customer due diligence;
- (c) suspicious transaction reporting;
- (d) record keeping;
- (e) employee screening and representative screening; and
- (f) training.

The Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high-risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

The Manager routinely screens its counterparties through the World-Check One screening platform, which screens against sanctions lists published by, including, but not limited to, the Financial Action Task Force ("FATF"), the United Nations, Office of Foreign Asset Control ("OFAC") of the United States Department of Treasury, Office of Financial Sanctions Implementation ("OFSI") (UK) and the European Union. This includes the latest sanction lists issued in relation to the recent Russian invasion of Ukraine.

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

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