

# Sustainability

## Corporate Governance

*As Mapletree continues its business expansion in Asia and beyond, the importance of maintaining good corporate governance practices to ensure investor confidence and business integrity becomes more entrenched in its activities. Although Mapletree is not listed on a stock exchange and therefore not subject to mandatory disclosures, it voluntarily subscribes to some of the core principles set out in the Code of Corporate Governance (Code) issued by the Monetary Authority of Singapore.*

### A) BOARD MATTERS

#### BOARD'S CONDUCT OF ITS AFFAIRS

Mapletree adopts the principle that an effective Board of Directors is one constituted with the right core competencies and diversity of experiences for the growth and success of the Group. The collective wisdom of the Board provides strategic guidance and diverse insights to support Management, and Management is accountable to the Board.

#### BOARD COMMITTEE MEMBERSHIP

The Board comprises eight members, of whom seven are Non-Executive Directors and Independent Directors. Board committees are also constituted to assist the Board in discharging their duties. The following sets out the composition of the Board and the various Board committees.

Mapletree's Directors comprise business leaders and distinguished professionals in their respective fields who are appointed based on their professional calibre, experience and stature, with the overall consideration that their collective experiences will bring breadth and depth to the Board's deliberations. Every Director is expected to act in good faith and consider the interests of the Group at all times.

The Board meets at least once every quarter to assess Mapletree's business performance and key activities, review strategic policies, and significant acquisitions and disposals.

The Board is updated on any material change to relevant laws, regulations and accounting standards through briefings by professionals or updates issued by Management.

All Directors provide, and are also provided with the other Directors' disclosures of interests.

Name	Board of Directors	Audit and Risk Committee (AC)	Executive Resource and Compensation Committee (ERCC)	Investment Committee (IC)	Transaction Review Committee (TRC)
Mr Edmund Cheng Wai Wing	Chairman		Chairman	Chairman	
Mr Lee Chong Kwee	Member	Chairman			Chairman
Mr Paul Ma Kah Woh	Member	Member	Member	Member	Member
Mr Tsang Yam Pui	Member	Member			
Mr Wong Meng Meng	Member	Member			Member
Mr David Christopher Ryan	Member			Member	
Mr Samuel N. Tsien	Member				
Ms Chan Wai Ching			Co-opted Member		
Mr Hiew Yoon Khong	Member			Group CEO & Ex-officio Member	
Mr Wong Mun Hoong				Group CFO & Ex-officio Member	

## BOARD COMPOSITION AND BALANCE

Mapletree adopts the principle that at least one-third of its Directors are independent and the majority of them are non-executive. To this end, other than the Group Chief Executive Officer (Group CEO), who is an Executive Director, all Board members are Independent Directors. This generates broad and in-depth deliberations between the Board and Management, which provides Management with external, diverse and objective perspectives.

The Board is supported by the Audit and Risk Committee (AC) to provide a better overview of financial, risk and audit matters. In addition, other Board committees, namely the Executive Resource and Compensation Committee (ERCC), the Investment Committee (IC) and the Transaction Review Committee (TRC), are constituted to address different aspects of the business. All these ensure optimal effectiveness of the Board, fostering active participation and contribution.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mapletree adopts the principle that a clear separation between the roles and responsibilities of Chairman and Group CEO institutes an appropriate balance of power and authority.

As a Non-Executive Director, the Chairman guides the Board in constructive debates on the strategic direction, management and governance matters. Being non-executive, the Chairman is free to act independently in the best interests of Mapletree. The Chairman and the Group CEO are not related to each other.

The Group CEO, who is a Board member, is responsible for the management of the Group's business. The Group CEO carries out full executive responsibilities over the business directions and operational decisions of the Group. The Group CEO is also responsible for ensuring compliance with the applicable laws and regulations in the day-to-day operations of the Group.

## BOARD MEMBERSHIP

Mapletree adopts the principle that Board renewal is an ongoing process to ensure good governance and to remain relevant to the changing needs of the Group. All appointments and resignations of Board members are approved by the Board. All Board members are required to submit themselves for re-nomination and re-election at regular intervals. As a Board member, the Group CEO is also subjected to retirement and re-election.

## BOARD PERFORMANCE

Mapletree adopts the principle that the Board's performance is ultimately reflected in the performance of the Group. Each Board member is given sufficient time to bring to the Board his perspective to enable fruitful discussions in order for balanced and well-considered decisions to be made.

## ACCESS TO INFORMATION

Mapletree adopts the principle that the Board shall be provided with timely and complete information prior to Board meetings and when the need arises. New Board members are briefed on Mapletree's businesses.

Management is required to provide adequate and timely information to the Board, which includes matters requiring the Board's decision as well as ongoing reports relating to the operational and financial performance of the Group. Management is also required to furnish any additional information requested by the Board in a timely manner in order for the Board to make informed decisions.

The Board has separate and independent access to Management and the Company Secretary. The Company Secretary attends to the administration of corporate secretarial matters, attends all Board and Board committee meetings, and provides assistance to the Chairman in ensuring adherence to Board procedures.

The Board takes independent professional advice as and when necessary to discharge its responsibilities effectively. The AC meets the external and internal auditors separately at least once a year, without the presence of Management.

## B) REMUNERATION MATTERS

Mapletree adopts the principle that remuneration matters are to be sufficiently structured and benchmarked to good market practices, in order to attract suitably qualified talent, so as to grow and manage its business.

Mapletree adopts the principle that remuneration for the Board and Senior Management should be viewed in totality. The Group has implemented a performance-linked remuneration system to ensure continuous talent development and renewal of strong and sound leadership for the continued success of Mapletree. To this end, the ERCC is responsible for recruiting and retaining key talents to drive its business forward.

The members of the ERCC are:

- Mr Edmund Cheng Wai Wing (Chairman);
- Mr Paul Ma Kah Woh (Member);
- Ms Chan Wai Ching, Senior Managing Director, Temasek International (Private) Limited (Co-opted Member).

All members of the ERCC are independent of Management. The ERCC oversees executive compensation and development of the management bench strength, so as to build and augment a capable and dedicated management team, and gives guidance on progressive policies which can attract, motivate and retain a pool of talented executives for the present and future growth of the Group.

Specifically, the ERCC:

- establishes compensation policies for key executives;

- approves salary reviews, bonuses and incentives for key executives;
- approves key appointments and reviews succession plans for key positions; and
- oversees the development of key executives and younger talented executives.

The ERCC conducts, on an annual basis, a succession planning review of the Group CEO and selected key positions in the Group. In this regard, potential internal and external candidates for succession are reviewed for immediate, medium term and longer term needs. The ERCC held a total of five meetings in FY14/15.

The Group CEO, as an Executive Director, does not receive director's fees. He is a lead member of Management. His compensation consists of his salary, allowances, bonuses and share appreciation awards from the Group. The latter is conditional upon him meeting certain performance targets. The Group CEO is not present during discussions relating to his own compensation, terms and conditions of service, and performance review.

## C) ACCOUNTABILITY AND AUDIT

### ACCOUNTABILITY

Mapletree adopts the principle that to build confidence among stakeholders, there is a need to deliver sustainable value. The Group complies with statutory and regulatory requirements as well as adopts best practices in its business processes. On a regular basis, the Board is also apprised of the Group's performance in order to make a balanced and informed assessment of the Group's performance, position and prospects.

### INTERNAL CONTROLS

Mapletree adopts the principle that a sound internal controls system is necessary to establish an internal control framework which addresses the operational, financial, compliance and information technology (IT) risks applicable to its business and operating environment, as well as the Group's risk management system. These internal controls provide reasonable but not absolute assurance on the achievement of their

intended control objectives. The key elements of Mapletree's system of controls are as follows:

#### Operating Structure

Mapletree has a defined operating structure with lines of responsibility and delegated authority, as well as a reporting mechanism to Senior Management and the Board.

#### Policies, Procedures and Practices

Controls are detailed in formal procedures and manuals. For example, the Board has approved a set of delegations of authority that sets out approval limits for operational and capital expenditures, investments and divestments, bank borrowings and cheque signatory arrangements. Approval sub-limits are also provided at various management levels to facilitate operational efficiency as well as provide a system of checks and balances.

Mapletree's procedures and practices are regularly reviewed and revised where necessary to enhance controls and efficiency. Mapletree has a control self-assessment programme to promote accountability, control and risk ownership, in order to cultivate a stronger sense of risk awareness within the Group.

The Internal Audit department (IA) verifies compliance with these control procedures and manuals.

#### Whistleblowing Policy

To reinforce a culture of good business ethics and governance, Mapletree has a Whistleblowing Policy to encourage the reporting, in good faith, of any suspected improper conduct, including possible financial irregularities, while protecting the whistleblowers from reprisals. Any reporting is notified to the AC Chairman for investigation and to the AC for deliberation on the findings.

#### Risk Management

Risk management is an integral part of Mapletree's business management. In order to safeguard and create value for stakeholders, Mapletree proactively manages risks and requires the risk management process to be part of the Group's planning and decision making process.

In this regard, the Risk Management (RM) department oversees the risk management framework, reviews annually the adequacy and effectiveness of the risk management system, and monitors the key risks faced by the Group.

It reports to the AC and the Board on material findings and recommendations in respect of significant risk matters.

The risk management system is dynamic and evolves with the business. The RM department works closely with Management to review and enhance the risk management system to be in line with market practices and regulatory requirements.

More information relating to risk management can be found on pages 72 to 73 of this Annual Report.

#### Information Technology Controls

As part of the risk management process, general IT controls have been put in place and are periodically reviewed to ensure that IT risks are identified and mitigated. In addition, as part of Mapletree's business continuity plan, IT disaster recovery planning and tests are conducted to ensure that critical IT systems remain functional in a crisis situation.

#### Financial Reporting

The Board is updated on a quarterly basis on the Group's financial performance. These reports provide explanations for significant variances in financial performance, in comparison with budgets and actual performance of corresponding periods in the preceding year, as well as an updated full-year forecast. In addition, the Board is provided with quarterly updates on key operational activities.

#### Financial Management

Management reviews the performance of the Group's portfolio properties on a monthly basis to instill financial and operational discipline at all levels of the Group.

The key financial risks to which Mapletree is exposed comprise interest rate risk, liquidity risk, currency risk and credit risk. Where necessary and appropriate, Mapletree hedges against interest and/or currency rate fluctuations. In addition, Management proactively manages liquidity risk by ensuring that sufficient working capital lines and loan facilities are maintained. The Group also has in place credit control procedures for managing tenant credit risk and monitoring debt collection.

#### Internal Audit

On an annual basis, IA prepares a risk-based audit plan to review the adequacy and effectiveness of Mapletree's system of internal

controls. The department is also involved during the year in conducting system or process reviews that may be requested by the AC or Management on specific areas of concern. In doing so, the department obtains reasonable assurance that business objectives for the process under review are being achieved and key control mechanisms are in place.

Upon completion of each review, a formal report detailing the audit findings and the appropriate recommendations is issued to the AC. IA monitors and reports on the timely implementation of the action plans to Management and the AC on a quarterly basis.

The external auditors provide an independent perspective on certain aspects of the internal financial controls system arising from their work, and report their findings to the AC on an annual basis.

#### Transaction Review Committee

Since March 2013, with the listing of Mapletree Greater China Commercial Trust (MGCCT), which Mapletree is the sponsor, Mapletree has established a Transaction Review Committee to (a) resolve any potential conflict of interest that may arise between MGCCT and the Mapletree China Opportunity Fund II (whose investment mandate includes investment properties in China) as well as any Future Greater China Commercial Private Fund (whose investment mandate includes commercial properties in Greater China) concerning the process to be undertaken to acquire investment properties in Greater China, and (b) grant approval for the acquisition of any seed asset for a Future Greater China Commercial Private Fund. With regard to (a), the Transaction Review Committee process will not apply if the proposed acquisition is by way of a tender, auction or any other form of competitive process.

#### AUDIT AND RISK COMMITTEE

The AC supports the Board in financial, risk and audit matters, so as to maximise the effectiveness of the Board and foster active participation and contribution.

Mapletree adopts the principle that the AC shall have at least three members, all of whom must be non-executive and the majority of whom must be independent.

The AC has Terms of Reference dealing with its scope and authority, which include:

- review of annual internal and external audit plans;
- review of audit findings of internal and external auditors, as well as Management's responses to them;
- review of quarterly, half-yearly and annual financial statements;
- review of the quality and reliability of information prepared for inclusion in financial reports;
- recommendation for the appointment and re-appointment of external auditors; and
- approval of the remuneration and terms of engagement of external auditors.

In addition, the AC also:

- meets with the external and internal auditors, without the presence of Management, at least once a year, to review and discuss the financial reporting process, system of internal controls (including financial, operational and compliance controls), significant comments and recommendations; and
- reviews and, if required, investigates matters reported via the whistleblowing mechanism by which staff may, in confidence, raise concerns about suspected improprieties including financial irregularities.

The objective is to ensure that arrangements are in place for independent investigations of any matter arising from such meetings, and for the review of such investigations to ensure appropriate follow-up actions are taken.

The AC held a total of four AC meetings in FY14/15.

#### INTERNAL AUDIT

Mapletree adopts the practice that IA reports directly to the Chairman of the AC. Since 4 August 2014, IA reports administratively to the Group Chief Financial Officer.

The role of IA is to conduct its internal audit work in consultation with but independently of Management. Its annual audit plan and findings are submitted to the AC. The AC also meets with IA at least once a year without the presence of Management. The Head of IA is a member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the USA. IA is

in conformance with the Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA, and has incorporated these Standards into its audit practices.

The Standards set by the IIA cover requirements on:

- independence and objectivity;
- proficiency and due professional care;
- managing the internal audit activity;
- engagement planning;
- performing engagement; and
- communicating results.

The internal auditors involved in IT audits are Certified Information System Auditors and members of the Information System Audit and Control Association (ISACA) in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits.

To ensure that the internal audits are performed by competent professionals, IA employs qualified staff. In order for their technical knowledge to remain current and relevant, IA also provides training and development opportunities to its staff.

## D) COMMUNICATION WITH SHAREHOLDERS

Mapletree adopts the principle of providing regular and timely communications with its shareholder, as well as ensuring equal access to information.