

# CORPORATE GOVERNANCE

The Manager of MIT has responsibility over the strategic direction and management of the assets and liabilities of MIT and its subsidiaries (collectively, the "Group").

The Manager discharges its responsibility for the benefit of MIT's unitholders ("Unitholders"), in accordance with the applicable laws and regulations as well as the trust deed constituting MIT ("Trust Deed"). To this end, the Manager sets the strategic direction of the Group and gives recommendations to DBS Trustee Limited, in its capacity as trustee of MIT (the "Trustee"), on the acquisition, divestment or enhancement of assets of the Group. As a REIT Manager, the Manager is licensed by the Monetary Authority of Singapore (the "MAS") and granted a Capital Markets Services Licence ("CMS Licence").

The Manager's roles and responsibilities include:

- using its best endeavours to carry out and conduct the Group's business in a proper and efficient manner and to conduct all transactions with or for the Group on an arm's length basis and on normal commercial terms;
- preparing annual budget proposal with forecast on gross revenue, property expenditure, capital expenditure and providing explanations on major variances against prior year's actual results and written commentaries on key issues and any other relevant assumptions. The purpose of such proposals and analysis is to chart the Group's business for the year ahead and to explain the performance of MIT's properties compared to the prior year; and
- ensuring compliance with the applicable laws and regulations, including the Securities and Futures Act of Singapore (Chapter 289), the Listing Manual, the Code on Collective Investment Schemes, the Singapore Code on Takeovers and Mergers, the Trust Deed, the CMS Licence and any tax rulings and all relevant contracts.

The Manager is committed to apply the principles and the spirit of the Code of Corporate Governance (the "Code"). The Code was revised by the MAS in May 2012<sup>1</sup> and save for certain provisions, shall be applicable to annual reports relating to financial years commencing from 1 November 2012. In keeping with our commitment to high standards of corporate governance, the Manager has updated its policies as far as practicable for FY14/15 in order to comply with the revised Code.

The Board of Directors and employees of the Manager are remunerated by the Manager, and not by MIT.

## (A) BOARD MATTERS

### BOARD'S CONDUCT OF ITS AFFAIRS

#### *Principle 1: Effective board*

#### Our Policy and Practices

The Manager adopts the principle that an effective Board of Directors (the "Board") for the Manager is one constituted with the right core competencies and diversity of experience, so that the collective wisdom of the Board can give guidance and provide insights as well as strategic thinking to Management.

The key roles of the Board are to:

- guide the corporate strategy and direction of the Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management with integrity and enterprise; and
- oversee the proper conduct of the Manager.

The positions of Chairman and Chief Executive Officer ("CEO") are held by two separate persons in order to maintain effective oversight.

The Board comprises nine Directors, of whom eight are Non-Executive Directors and five are Independent Directors.

The following sets out the composition of the Board:

- **Mr Wong Meng Meng**, Chairman and Non-Executive Director
- **Mr Soo Nam Chow**, Chairman of the Audit and Risk Committee and Independent Director
- **Mr John Koh Tiong Lu**, Member of the Audit and Risk Committee and Independent Director
- **Mr Seah Choo Meng**, Member of the Audit and Risk Committee and Independent Director
- **Mr Wee Joo Yeow**, Independent Director
- **Ms Mary Yeo Chor Gek**, Independent Director
- **Mr Hiew Yoon Khong**, Non-Executive Director
- **Mr Wong Mun Hoong**, Non-Executive Director
- **Mr Tham Kuo Wei**, Executive Director and Chief Executive Officer

The Board comprises business leaders and distinguished professionals with financial, banking, fund management, real estate, legal, investment and accounting experience.

The varied backgrounds of the Directors enable Management to benefit from their external, diverse and objective perspectives on issues brought before the Board. Each Director is appointed on the strength of his or her calibre, experience, stature, and potential to give proper guidance to the Manager for the business of the Group. In addition, each Director is given a formal letter of appointment setting out their duties and obligations under the relevant laws and regulations. Their profiles are found on pages 20 to 23 of this Annual Report. The Board is of the view that the present principal directorships included in their profiles will be sufficient in informing Unitholders of their principal commitments. They meet regularly, at least once every quarter, to review the business performance and outlook of the Group, as well as to deliberate on business strategy, including any significant acquisitions, disposals, fundraising and development projects undertaken by the Group.

<sup>1</sup> The revised Code is applicable to annual reports relating to financial years commencing from 1 November 2012, save for the requirement for independent directors to make up at least half of the board in specified circumstances (Guideline 2.2 of the revised Code), which will only need to be made at the annual general meetings following the end of the financial year commencing on or after 1 May 2016.

The meeting attendance of the Board and the Audit and Risk Committee for FY14/15 is as follows:

		BOARD	AUDIT AND RISK COMMITTEE
<b>Number of meetings held in FY14/15</b>		5	5
<b>BOARD MEMBERS</b>	<b>MEMBERSHIP</b>		
<b>Mr Wong Meng Meng</b> (Appointed on 7 September 2010) (Last reappointment on 26 September 2014)	Chairman and Non-Executive Director	5	N.A. <sup>(1)</sup>
<b>Mr Soo Nam Chow</b> (Appointed on 7 September 2010) (Last reappointment on 26 September 2014)	Chairman of the Audit and Risk Committee and Independent Director	5	5
<b>Mr John Koh Tiong Lu</b> (Appointed on 7 September 2010) (Last reappointment on 26 September 2014)	Member of the Audit and Risk Committee and Independent Director	5	5
<b>Mr Seah Choo Meng</b> (Appointed on 7 September 2010)	Member of the Audit and Risk Committee and Independent Director	5	5
<b>Mr Wee Joo Yeow</b> (Appointed on 7 September 2010)	Independent Director	5	N.A. <sup>(1)</sup>
<b>Ms Mary Yeo Chor Gek</b> (Appointed on 15 March 2013) (Last reappointment on 18 September 2013)	Independent Director	5	N.A. <sup>(1)</sup>
<b>Mr Hiew Yoon Khong</b> (Appointed on 7 September 2010) (Last reappointment on 18 September 2013)	Non-Executive Director	5	N.A. <sup>(1)</sup>
<b>Mr Wong Mun Hoong</b> (Appointed on 7 September 2010)	Non-Executive Director	5	5 <sup>(2)</sup>
<b>Mr Phua Kok Kim</b> <sup>(3)</sup> (Appointed on 23 July 2010) (Last reappointment on 18 September 2013)	Non-Executive Director	2	2 <sup>(2)</sup>
<b>Mr Tham Kuo Wei</b> (Appointed on 23 July 2010) (Last reappointment on 18 September 2013)	Executive Director and Chief Executive Officer	5	5 <sup>(2)</sup>

**Notes:**

<sup>(1)</sup> N.A. means not applicable.

<sup>(2)</sup> Attendance was by invitation.

<sup>(3)</sup> Mr Phua Kok Kim resigned as a Non-Executive Director on 31 July 2014.

The Board has approved a set of delegations of authority which sets out approval limits for investments and divestments, development, operational and capital expenditures and treasury activities. Approval sub-limits are also provided at various management levels to facilitate operational efficiency as well as provide a system of checks and balances.

Board's approval is required for material transactions, including the following:

- equity fundraising;
- acquisition, development and disposal of properties above Board prescribed limits;
- overall project budget variance and ad hoc development budget above Board prescribed limits;

- debt fundraising above Board prescribed limits; and
- derivative contracts above Board prescribed limits.

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

## BOARD COMPOSITION AND BALANCE

### *Principle 2: Strong and independent element on the board*

#### **Our Policy and Practices**

The Manager adopts the principle that at least one-third of its Directors are independent and the majority of its Directors are non-executive. In addition, if the Chairman is not an

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independent director, at least half of the Board will comprise independent directors. This allows the Directors to engage in robust deliberations with Management and provide external, diverse and objective insights into issues brought before the Board. Further, such composition and separation of the roles of the Chairman and the CEO, provides oversight to ensure that Management discharges its roles with integrity.

Each of the Independent Directors had carried out an assessment on whether there were any relationships or circumstances which may impact their independent status and had either made a negative declaration or disclose such relationship or circumstances as applicable.

Based on a review of the relationships between the Directors and the Group, the Board considers the following Directors to be independent:

- **Mr Soo Nam Chow**
- **Mr John Koh Tiong Lu**
- **Mr Seah Choo Meng**
- **Mr Wee Joo Yeow**
- **Ms Mary Yeo Chor Gek**

In view of the above, half of the Board comprises Independent Directors, which is in line with the Code that provides that independent directors should make up at least half of the Board where the Chairman of the Board is not an independent director.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### *Principle 3: Clear division of responsibilities*

#### **Our Policy and Practices**

The Manager adopts the principle of clear separation of the roles and responsibilities between the Chairman of the Board and the CEO of the Manager. The Chairman guides the Board in constructive debates on the strategic direction, management of assets and governance matters. He is non-executive and is free to act independently in the best interests of the Manager and Unitholders. Notwithstanding that the Chairman is not an independent director, the Manager is of the view that the Board is well served by the Independent Directors and therefore a lead independent director is not appointed.

The Chairman and the CEO are not related to each other. The CEO is responsible for the running of the Manager's business operations. He has full executive responsibilities over the business and operational decisions of the Group. The CEO is also responsible for ensuring compliance with the applicable laws and regulations in the day-to-day operations of the Group.

## BOARD MEMBERSHIP

### *Principle 4: Formal and transparent process for appointments*

#### **Our Policy and Practices**

As the Manager is not a listed entity, it does not have a Nominating Committee. However, the Manager adopts the principle that Board renewal is an ongoing process to ensure good governance and to remain relevant to the changing needs of the Manager

and the Group's business. All appointments and resignations of Board members are approved by the Board.

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

- the Chairman of the Board should be a non-executive director of the Manager;
- the Board should comprise directors with a broad range of commercial experience including expertise in funds management, law, finance, audit, accounting and real estate; and
- at least one-third of the Board should comprise independent directors.

The Manager does not, as a matter of policy, limit the maximum number of listed company board representations its Board members may hold as long as each of the Board members is able to commit his/her time and attention to the affairs of the Group, including attending Board and Board committee meetings and contributing constructively to the management of the Manager and the Group.

As a principle of good corporate governance, all Board members are required to submit themselves for re-nomination and re-election at regular intervals. The CEO, as a Board member, is also subject to retirement and re-election.

## BOARD PERFORMANCE

### *Principle 5: Formal assessment of the effectiveness of the board*

#### **Our Policy and Practices**

The Manager adopts the principle that the Board's performance is ultimately reflected in the performance of the Manager and the Group.

To assess the performance of the Board and the Audit and Risk Committee ("AC"), the Manager conducts confidential board effectiveness surveys on a bi-yearly basis. The last survey was undertaken in April 2014, with the findings evaluated by the Board in July 2014. The Board is of the view that it has met its performance objectives.

Each Board member is given sufficient time to bring to the Board his or her perspective to enable fruitful discussions in order for balanced and well considered decisions to be made.

## ACCESS TO INFORMATION

### *Principle 6: Complete, adequate and timely access to information*

#### **Our Policy and Practices**

The Manager adopts the principle that the Board shall be provided with timely and complete information prior to Board meetings and as well as when the need arises.

Management is required to provide adequate and timely information to the Board, which includes matters requiring the Board's decision as well as on-going 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 and advises the Board on governance matters. The Company Secretary also 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 enable it or the Independent Directors to discharge their responsibilities effectively. The AC meets the external and internal auditors separately at least once a year, without the presence of Management.

## **(B) REMUNERATION MATTERS**

### **PROCEDURES FOR DEVELOPING REMUNERATION POLICIES**

*Principle 7: Formal and transparent procedure for fixing the remuneration of directors*

### **LEVEL AND MIX OF REMUNERATION**

*Principle 8: Appropriate level of remuneration*

### **DISCLOSURE ON REMUNERATION**

*Principle 9: Clear disclosure of remuneration matters*

#### **Our Policy and Practices**

The Manager adopts the principle that remuneration matters should be sufficiently structured and benchmarked with good market practices to attract qualified talent to grow and manage its business.

The Manager adopts the principle that remuneration for the Board and senior management should be viewed in totality. The remuneration structure supports the continuous development of the management bench strength to ensure robust talent management and succession planning.

As the Manager is not a listed entity, it is not presently considered necessary for it to have a remuneration committee. However, as a subsidiary of the Sponsor, the Manager takes its reference from the remuneration policies and practices of the Sponsor in determining the remuneration of the Board and key executives. The Executive Resources and Compensation Committee ("Mapletree's ERCC") of the Sponsor at group level serves the crucial role of helping to ensure that the Manager is able to recruit and retain the best talent to drive its business forward.

The members of Mapletree's ERCC are:

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

All the members of Mapletree's ERCC are independent of Management. Mapletree's 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 Manager.

Specifically, Mapletree's ERCC, with the assistance of compensation consultants where necessary:

- 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.

Mapletree's ERCC conducts an annual succession planning review of the CEO and selected key positions in the Manager. In this regard, potential internal and external candidates for succession are reviewed for immediate, medium term and longer term needs. A total of five meetings were held by the Mapletree's ERCC in FY14/15.

The remuneration of the Board and the employees of the Manager is paid by the Manager from the fees it receives from MIT, and not by MIT. Since MIT does not bear the remuneration of the Manager's Board and employees, the Manager does not consider it necessary to include information (other than as set out below) on the remuneration of its Directors and its key executives.

The Chairman and the Non-Executive Directors have no service contracts with the Manager. Save for Mr Hiew Yoon Khong, Mr Wong Mun Hoong, Mr Phua Kok Kim, and Mr Tham Kuo Wei, all the Directors receive a basic fee and, where applicable, an additional fee for serving on the AC.

Mr Hiew Yoon Khong, Mr Wong Mun Hoong and Mr Phua Kok Kim, respectively the Group Chief Executive Officer, the Group Chief Financial Officer and the former Regional Chief Executive Officer, South-East Asia of the Sponsor, also do not receive director's fees for serving as Non-Executive Directors of the Manager.

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

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Directors' fees are subject to the approval of the Manager's shareholder and the directors' fees paid to the Board for FY14/15 are as follows:

BOARD MEMBERS	MEMBERSHIP	FY14/15
<b>Mr Wong Meng Meng</b>	Chairman and Non-Executive Director	S\$115,000
<b>Mr Soo Nam Chow</b>	Chairman of the Audit and Risk Committee and Independent Director	S\$95,000
<b>Mr John Koh Tiong Lu</b>	Member of the Audit and Risk Committee and Independent Director	S\$82,500
<b>Mr Seah Choo Meng</b>	Member of the Audit and Risk Committee and Independent Director	S\$82,500
<b>Mr Wee Joo Yeow</b>	Independent Director	S\$55,000
<b>Ms Mary Yeo Chor Gek</b>	Independent Director	S\$55,000
<b>Mr Hiew Yoon Khong</b>	Non-Executive Director	Nil
<b>Mr Wong Mun Hoong</b>	Non-Executive Director	Nil
<b>Mr Phua Kok Kim<sup>(1)</sup></b>	Non-Executive Director	Nil
<b>Mr Tham Kuo Wei</b>	Executive Director and Chief Executive Officer	Nil

**Note:**

<sup>(1)</sup> Mr Phua Kok Kim resigned as a Non-Executive Director on 31 July 2014.

## (C) ACCOUNTABILITY AND AUDIT

### ACCOUNTABILITY

*Principle 10: Balanced and understandable assessment of the company's performance, position and prospects*

#### Our Policy and Practices

The Manager adopts the principle that to build confidence among stakeholders, there is a need to deliver sustainable value.

The Manager complies with statutory and regulatory requirements as well as adopts best practices in the Group's business processes. The Board is also apprised of the performance of the Group and the business and market outlook on a regular basis to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

### INTERNAL CONTROLS

*Principle 11: Sound system of internal controls and risk management*

#### Our Policy and Practices

The Manager adopts the principle that a sound system of internal controls and risk management is necessary for the Group's business.

The Manager, working with the Sponsor, has established internal control and risk management systems that address key operational, financial, compliance and information technology risks relevant to the Group's business and operating environment. These systems provide reasonable but not absolute assurance

on the achievement of their intended internal control and risk management objectives.

The key elements of the Group's internal control and risk management systems are as follows:

#### Operating Structure

The Manager has a well-defined operating structure with clear lines of responsibility and delegated authority, as well as reporting mechanisms to senior management and the Board. This structure includes certain functions, such as Human Resources, Information Systems & Technology, Internal Audit, Legal and Risk Management, which are outsourced to the Sponsor. The Manager also conducts an annual review of such outsourced functions to ensure required performance standards are met.

#### Policies, Procedures and Practices

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

Board's approval is required for material transactions, including the following:

- equity fundraising;
- acquisition, development and disposal of properties above Board prescribed limits;
- overall project budget variance and ad hoc development budget above Board prescribed limits;

- debt fundraising above Board prescribed limits; and
- derivative contracts above Board prescribed limits.

The Group's procedures and practices are regularly reviewed and revised where necessary to enhance controls and efficiency. The Group has implemented a Control Self-Assessment programme to promote accountability, control and risk ownership, in order to cultivate a stronger sense of risk awareness and compliance with internal controls within the Group.

The Internal Audit function which is outsourced to the Sponsor verifies compliance with the control procedures and policies established within the internal control and risk management systems.

#### **Whistle-blowing Policy**

To reinforce a culture of good business ethics and governance, the Manager has a Whistle-blowing Policy to encourage the reporting, in good faith, of any suspected improper conduct, including possible financial irregularities, while protecting the whistleblowers from reprisals. Any such incidents reported relating to the Group or the Manager shall be 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 business management by the Manager. In order to safeguard and create value for Unitholders, the Manager proactively manages risks and incorporates the risk management process into the Manager's planning and decision making process.

The Risk Management function which is outsourced to the Sponsor's Risk Management Department oversees the Enterprise Risk Management ("ERM") framework, which enables the Manager to assess, mitigate and monitor key risks. The Risk Management function reports to the AC and the Board independently, on a quarterly basis, on key risk exposures, portfolio risk profile and activities in respect of significant risk matters.

The risk management system established by the Manager, which encompasses the ERM framework and the risk management process, is dynamic and evolves with the business. The Manager has identified key risks, assessed their likelihood and impact on MIT's business, and established corresponding mitigating controls. The information is maintained in a risk register that is reviewed and updated regularly. The Risk Management function works closely with the Manager to review and enhance the risk management system to be in line with market practices and regulatory requirements.

The Manager's policies and procedures relating to risk management can be found on pages 87 to 89 of this Annual Report.

#### **Information Technology ("IT") Controls**

As part of the Group's risk management process, 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 the Manager's business continuity plan, IT disaster recovery planning and tests are conducted to ensure that critical IT systems will remain functional in a crisis situation.

#### **Financial Reporting**

The Board is updated on a quarterly basis on the Group's financial performance. The Manager reports on significant variances in financial performance, in comparison with budgets and financial performance of corresponding periods in the preceding year and provides an updated full year forecast. In addition, the Board is provided with quarterly updates on key operational activities.

A management representation letter is provided in connection with the preparation of the Group's financial statements presented to the AC and Board quarterly. The representation letter is supported by declarations made individually by the various Heads of Department. Compliance checklists on announcement of financial statements, which are required for submission to the Singapore Exchange Securities Trading Limited ("SGX-ST"), are reviewed and confirmed by the Chief Financial Officer ("CFO").

The Group's financial results are reported to Unitholders quarterly in accordance with the requirements of the SGX-ST. These results announcements provide analyses of significant variances in financial performance and commentary on the industry's competitive conditions in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Detailed disclosure and analysis of the full year financial performance of the Group are in the Annual Report.

#### **Financial Management**

Management reviews the performance of the MIT portfolio properties on a monthly basis in order to maintain financial and operational discipline.

The key financial risks which the Group is exposed to include interest rate risk, liquidity risk, and credit risk. Where appropriate, the Manager hedges the Group against interest rate fluctuations. In addition, the Manager proactively manages liquidity risk by ensuring that sufficient working capital lines and loan facilities are maintained. The Manager's capital management strategy can be found on pages 34 to 35 of this Annual Report. The Manager also has in place credit control procedures for managing tenant credit risk and monitoring of debt collection.

#### **Internal Audit**

The Internal Audit function which is outsourced to the Sponsor's Internal Audit Department prepares a risk-based audit plan annually to review the adequacy and effectiveness of the Group's system of internal controls and this audit plan is approved by the AC before execution. The Internal Audit function is also involved during the year in conducting ad-hoc audits and reviews that may be requested by the AC or Management on specific



areas of concern. In doing so, the Internal Audit function 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. The Internal Audit function 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. The external auditors are also kept abreast of the Manager's Control Self-Assessment programme.

## Interested Person Transactions

All interested person transactions are undertaken on normal commercial terms and the AC regularly reviews all interested party transactions to ensure compliance with the internal control system as well as with relevant provisions of the Listing Manual and Appendix 6 of the Code on Collective Investment Schemes issued by the MAS (the "Property Funds Appendix"). In addition, the Trustee has the right to review such transactions to ascertain that the Property Funds Appendix has been complied with.

The following procedures are also undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of the Group's net tangible assets will be subject to review by the AC at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of the Group's net tangible assets will be subject to the review and prior approval of the AC. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 5.0% of the value of the Group'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 AC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of the Unitholders.

The interested person transactions undertaken by the Group in FY14/15 can be found on page 147 of this Annual Report. For the purpose of the disclosure, the full contract sum was used where an interested person transaction had a fixed term and contract value, while the annual amount incurred and/or accrued was used where an interested person transaction had an indefinite term or where the contract sum was not specified.

## Dealing in MIT units

The Manager adopts the best practices on dealings in securities set out in the Listing Manual. All Directors are required to disclose their interests in MIT and are also provided with disclosures of interests by other Directors as well as reminders on trading bans.

On trading in MIT units, the Directors and employees of the Manager are reminded not to deal in MIT units on short term considerations and are prohibited from dealing in MIT units:

- in the period commencing one month before the public announcement of the Group's annual results;
- in the period commencing two weeks before the public announcement of the Group's quarterly and semi-annual results; and
- at any time whilst in possession of price-sensitive information.

Each Director is required to give notice to the Manager of his or her acquisition of MIT units or of changes in the number of MIT units which he or she holds or in which he or she has an interest, within two business days of such acquisition or change of interest. In addition, employees of the Manager and the Sponsor are to give pre-trading notifications before any dealing in MIT units.

## Role of the Board and AC

The Board recognises the importance of maintaining a sound internal control and risk management system to safeguard the assets of the Group and Unitholders' interests, through a framework that enables risks to be assessed and managed.

The AC provides oversight of the financial reporting risks, accounting policies and the adequacy and effectiveness of the Group's internal control and risk management system as well as its compliance system.

The Board and the AC also took into account the results from the Control Self-Assessment programme, which requires the respective departments of the Manager to review and report on compliance with their key control processes.

It should be recognised that all internal control and risk management systems contain inherent limitations and, accordingly, the internal control and risk management systems can only provide reasonable but not absolute assurance.

The Board has received assurance from the CEO and the CFO (a) that the Group's financial records have been properly

maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) on the effectiveness of the Group's internal control and risk management systems.

#### **Opinion on Internal Controls**

Based on the internal control and risk management systems established and maintained by the Manager and the Sponsor, work performed by the Sponsor's Internal Audit and Risk Management Departments as well as by the external auditors, reviews performed by Management and the above assurance from the CEO and the CFO, the Board, with the concurrence of the AC, is of the opinion that the Group's internal control and risk management systems, addressing key financial, operational, compliance, information technology and risk management objectives and which the Group considers relevant and material to its operations, were adequate and effective to meet the needs of the Group in its business environment as at 31 March 2015.

#### **AUDIT AND RISK COMMITTEE**

##### **Principle 12: Written terms of reference**

#### **Our Policy and Practices**

The Board is supported by the AC which provides additional oversight of financial, risks and audit matters, so as to maximise the effectiveness of the Board and foster active participation and contribution.

The Manager 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 consists of three members. They are:

- **Mr Soo Nam Chow**, Chairman
- **Mr John Koh Tiong Lu**, Member
- **Mr Seah Choo Meng**, Member

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

- review of annual internal and external audit plans;
- examination of Interested Person Transactions;
- review of audit findings of internal and external auditors as well as management responses to them;
- evaluation of the nature and extent of non-audit services performed by external auditors. In this regard, for the financial year ended 31 March 2015, MIT paid S\$120,700 to the external auditors PricewaterhouseCoopers LLP ("PwC") for audit services. There were no payments made for any non-audit services;
- review of the quality and reliability of information prepared for inclusion in financial reports;
- recommendation of 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, compliance and information technology controls), significant comments and recommendations; and
- reviews and, if required, investigates the matters reported via the whistle-blowing mechanism, by which staff may, in confidence, raise concerns about suspected improprieties including financial irregularities.

The objective of the whistle-blowing mechanism is to ensure that arrangements are in place for independent investigations of any reported matters and reviews of such investigations, to ensure appropriate follow-up actions are taken.

A total of five AC meetings were held in FY14/15.

The Manager, on behalf of the Group, confirms that the Group has complied with Rules 712 and 715 of the Listing Manual in relation to the Group's auditing firm.

#### **INTERNAL AUDIT**

##### **Principle 13: Independent internal audit function**

#### **Our Policy and Practices**

The Manager adopts the principle that a robust system of internal audits is required to safeguard Unitholders' interests, the Group's assets, and to manage risks. Apart from the AC, other Board committees may be set up from time to time to address specific issues or risks.

The Internal Audit function is outsourced to the Sponsor's Internal Audit Department and the Internal Audit function reports directly to the Chairman of the AC of both the Manager and the Sponsor.

The role of the Internal Audit function is to conduct internal audit work in consultation with, but independently of, Management. Its annual audit plan and audit findings are submitted to the AC. The AC also meets with the Internal Audit function at least once a year without the presence of Management.

The Sponsor's Internal Audit Department is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. ("IIA"), which has its headquarters in the USA. The Sponsor's Internal Audit Department subscribes to, and 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;



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- performing engagement; and
- communicating results.

Internal Audit staff 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, the Sponsor's Internal Audit Department recruits and employs qualified staff. In order that their technical knowledge remains current and relevant, the Sponsor's Internal Audit Department identifies and provides training and development opportunities to the staff.

In compliance with the IIA Standards, an external quality assessment review ("QAR") of the Sponsor's Internal Audit Department is conducted at least once every five years by a qualified, independent reviewer. The last external QAR of the Sponsor's Internal Audit Department was completed in January 2013 and the QAR concluded that the Sponsor's Internal Audit Department was in conformance with the IIA Standards.

## **(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### **SHAREHOLDER RIGHTS**

*Principle 14: Fair and equitable treatment of all shareholders*

### **COMMUNICATION WITH SHAREHOLDERS**

*Principle 15: Regular, effective and fair communication with shareholders*

### **CONDUCT OF SHAREHOLDER MEETINGS**

*Principle 16: Greater shareholder participation at annual general meetings*

#### **Our Policy and Practices**

The Manager adopts the principle that all Unitholders should be treated fairly and equitably and their ownership rights arising from their unitholdings should be recognised.

To this end, the Manager issues via SGXNET announcements and press releases on the Group's latest corporate developments on an immediate basis where required under the Listing Manual. Where immediate disclosure is not practicable, the relevant announcement will be made as soon as possible to ensure that all stakeholders and the public have equal access to the information.

All Unitholders are entitled to receive the annual report in digital format packaged in a compact disc with the option of receiving a printed version. The annual report encloses a notice of annual general meeting and a proxy form with instructions on the appointment of proxies. The notice of annual general meeting for each annual general meeting is also published via SGXNET. An annual general meeting is held once a year to provide a platform for Unitholders to interact with the Board and Management, in particular the Chairman of the Board, the Chairman of the AC,

the CEO and the CFO. The external auditors are also present to address Unitholders' queries about the audit and the financial statements of the Group.

Similarly, where a general meeting is convened, all Unitholders are entitled to receive a circular enclosing a proxy form with instructions on the appointment of proxies. Prior to voting at an annual general meeting or any other general meeting, the voting procedures will be made known to the Unitholders to facilitate them in exercising their votes.

The Chairman of the Board will usually demand for a poll to be taken for resolutions proposed at an annual general meeting and any other general meeting and thereafter voting will be conducted by electronic polling. The Manager will announce the results of the votes cast for and against each resolution and the respective percentages and prepare minutes of such meetings.

The Manager has an Investor Relations Department which works with the Legal and Corporate Secretariat Department of the Sponsor to ensure the Group's compliance with the legal and regulatory requirements applicable to listed REITs, as well as to incorporate best practices in its investor relations programme.

The Manager regularly communicates major developments in the Group's businesses and operations to Unitholders, analysts and the media through the issuance of announcements and press releases. In addition, all announcements and press releases are first made on SGXNET and subsequently on MIT's website.

Investors can subscribe to email alerts of all announcements and press releases issued by MIT through its website. "Live" webcast of analyst briefings are conducted, where practicable.

The Manager also communicates with MIT's investors on a regular basis through group/individual meetings with investors, investor conferences and non-deal roadshows. The Manager's CEO and CFO are present at briefings and communication sessions to answer questions.

MIT's distribution policy is to distribute at least 90% of its taxable income, comprising substantially its income from the letting of its properties and related property service income after deduction of allowable expenses, and such distributions are typically paid on a quarterly basis. For FY14/15, MIT has made four distributions to Unitholders.