Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

REIT: First Real Estate Investment Trust
(Manager: Bowsprit Capital Corporation Limited)

Stock code: AW9U

Meeting details:
Date: 20 May 2020
Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

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Q1. As noted in the Letter to unitholders, the master leases of four of the trust's assets comprising three hospitals, namely Siloam Hospitals Lippo Village ("SHLV"), Siloam Hospitals Kebon Jeruk ("SHKJ") and Siloam Hospitals Surabaya ("SHS"), and a hotel and country club - Imperial Aryaduta Hotel & Country Club ("IAHCC"), are up for renewal in December 2021 (page 8 of the annual report).

The annual rental for SHLV, SHKJ, SHS and IAHCC are S$14.7 million, S$8.4 million, S$3.3 million and S$4.1 million respectively.

These 4 assets account for 26% of the REIT's total rental and other income and 24% of the total assets-under-management.

It was disclosed that the manager has started discussions with the stakeholders for the renewal.

(i) **Can the manager help unitholders understand when it expects to conclude the discussion and to formalise the lease renewal?**

(ii) **Would the manager be applying for an extension of the Hak Guna Bangunan ("HGB") titles for SHKJ, SHS and IAHCC?** The leases for these 3 assets expire on 10 December 2021.

(iii) **In the lease renewal negotiation, would it be a priority for the manager/REIT to continue the practice of pricing the annual rental in SGD so that unitholders are not exposed to the fluctuation in foreign currency?**

Q2. It was also mentioned that the manager is looking to rebalance the trust's assets and to explore opportunities to unlock value to pursue more yield-accretive assets.

(i) **Would the manager be reviewing the 3 Singapore assets given that these are matured assets with relatively short land leases?**

The REIT derives 95.7% of its rental income from Indonesia. In addition, the PT Lippo Karawaci Tbk group and the PT Metropolis Propertindo Utama group account for 81.6% and 12.5% of total rental income.

(ii) **As part of the portfolio rebalance, would the board be focused on reducing both the geographical concentration and the counterparty risks?**

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Q3. The nominating & remuneration committee ("NRC") comprises Mr Chan Pengee Adrian (as chairman), Mr Tan Chuan Lye and Ms Minny Riady. The NRC has stated that its responsibilities include ensuring that the manager is transparent in its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

However, the manager has deviated from the Code of Corporate Governance 2018 and the Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) which required:

(a) the disclosure of the remuneration of each individual Director and the CEO on a named basis,
(b) the disclosure of the remuneration of at least the top five key management personnel/top five executive officers (who are neither Directors nor the CEO), on a named basis, in bands of S$250,000, and
(c) in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO).

The reasons provided by the board for the non-disclosure could be found on page 65 of the annual report.

In addition, the manager has stated the following (page 65):

> *Further, such non-disclosure of remuneration does not affect the Manager's level of transparency on its remuneration policies,* ***level and mix of remuneration*** [emphasis added], *the procedure for setting remuneration and the relationships between remuneration, performance and value creation as such information have been disclosed in detail in the preceding paragraphs.*
>
> *Accordingly, the Board is of the view that the non-disclosure of the remuneration, whether in exact quantum or in bands of S$250,000, of the CEO and top five executive officers, and the total remuneration paid to the top five key management personnel (who are not Directors or the CEO), will not be prejudicial to the interest of Unitholders.*

(i) **Would the NRC, especially the NRC chairman who is also the lead independent director, help unitholders understand how the non-disclosure of remuneration does not affect the manager's level of transparency on the level and mix of remuneration?** With the current practice of non-disclosure, there is no information on the level and mix of remuneration of the management team.

(ii) **Would the NRC show unitholders how they could see the relationships between remuneration, performance and value-creation based on the current disclosure on remuneration in the annual report?**

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(iii) **Would the NRC reconsider how the REIT could better comply with the Code and the SFA?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings)