

corporate governance statement

CORPORATE GOVERNANCE STATEMENT

The Manager of CMT

CapitaMall Trust Management Limited, as Manager of CMT, has general power of management over the assets of CMT. The Manager's main responsibility is to manage CMT's assets and liabilities for the benefit of Unitholders. The Manager intends to manage the assets of CMT with a focus on generating sustainable rental income and, if appropriate, increasing CMT's assets over time so as to enhance the returns from the investments of CMT and, ultimately, the distributions to Unitholders.

A primary role of the Manager is to set the strategic direction of CMT and make recommendations to Bermuda Trust (Singapore) Limited (as trustee of CMT) (the "Trustee") on the acquisition, divestment or enhancement of assets of CMT in accordance with its stated investment strategy. The research, evaluation and analysis required for these purposes will be co-ordinated and carried out by the Manager.

Other functions and responsibilities of the Manager include:

- using its best endeavours to carry on and conduct its business in a proper and efficient manner and to conduct all transactions with, or for, CMT at arm's length;
- preparing property plans on a regular basis which may contain proposals and forecasts on net income before tax, capital expenditure, sales and valuations, explanation of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, moving annual turnover, occupancy costs and any other relevant assumptions;
- ensuring compliance with the applicable provisions of the Companies Act and the Securities and Futures Act of Singapore as well as other relevant legislation, the Listing Manual of the SGX-ST, the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore, the Trust Deed constituting CMT, the tax ruling issued by the Singapore Inland Revenue Authority on taxation of CMT and its Unitholders and all relevant contracts;
- attending to all communications with Unitholders; and
- supervising the Property Manager, CapitaLand Retail Management Pte Ltd, which performs the day-to-day property management functions (including leasing, accounting, marketing, promotion and insurance) at the CMT malls, namely, Tampines Mall, Junction 8 Shopping Centre, and Funan The IT Mall, pursuant to the property management agreements.

As CMT is externally managed by the Manager, it has no personnel. All directors and employees of the Manager are remunerated by the Manager, and not CMT.

Board of Directors of the Manager

The Board of Directors of the Manager (the "Board") is responsible for the overall corporate governance of the Manager including establishing goals for management and monitoring the achievement of these goals. The Manager is also responsible for the strategic business direction and risk management of CMT. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for management of the Manager and CMT, including a system of internal control and a business risk management process.

The Board meets to review the Manager's key activities, including its business strategies for CMT. Board meetings are scheduled in advance, and will be held at least once every quarter, to deliberate on the strategic policies of CMT, including any significant acquisitions and disposals, the annual budget, review the performance of the business, and approve the release of the quarterly and full year results. Where necessary, additional Board meetings would be held to address significant transactions or issues.

The Board has adopted a set of internal controls which sets out approval limits for capital expenditure, investments and divestments, bank borrowings and cheque signatories arrangement at Board level. Approval sub-limits are also provided at management level to facilitate operational efficiency.

Changes to regulations and accounting standards are monitored closely. To keep pace with regulatory changes, where these changes have an important bearing on CMT and its disclosure obligations, the directors are briefed either during Board meetings or at specially-convened sessions.

Presently, the Board consists of nine members of whom three are independent non-executive directors. The Chairman of the Board is Hsuan Owyang. The sole executive director is Pua Seck Guan, the Chief Executive Officer.

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

- the Chairman of the Board should be an independent non-executive director;
- the Board should comprise directors with a broad range of commercial experience, including expertise in funds management, the property industry, banking and legal; and
- the Board should comprise at least three independent directors.

The composition of the Board will be reviewed regularly to ensure that the Board has the appropriate size, mix of expertise and experience.

Two Board meetings were held during the year.

The positions of Chairman and Chief Executive Officer are held by two persons in order to maintain an effective oversight. The Chairman ensures that the members of the Board work together with management with integrity, competency and moral authority, engaging management in constructive debate on strategy, business operations and enterprise risks. The Chief Executive Officer has full executive responsibilities over the business directions and operational decisions of managing CMT.

The majority of the Board members are non-executive with one-third of the Board being independent of management. This enables management to benefit from their external and objective perspective of issues that are brought forward before the Board. It would also enable the Board to interact and work with management through a healthy exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer, provide a healthy professional relationship between the Board and management with clarity of roles and robust deliberation on the business activities of CMT.

Newly appointed directors are given briefings by management on the business activities of CMT and its strategic directions.

The Board has established various committees to assist it in discharging its responsibilities. These committees are listed below.

Executive Committee

The Executive Committee operates under delegated authority from the Board. This committee oversees the day-to-day activities of the Manager on behalf of the Board. The members of the Executive Committee are Liew Mun Leong, Hiew Yoon Khong, Lui Chong Chee and Pua Seck Guan.

Audit Committee

The Audit Committee is appointed by the Board from among the directors of the Manager and is composed of three members, the majority of whom (including the Chairman of the committee) shall be independent directors. The members are Hsuan Owyang, James Glen Service and Lui Chong Chee.

The Audit Committee has a set of terms of reference defining its scope of authority which include, in relation to its management of CMT:

- monitoring and evaluating the effectiveness of the internal control process through reviewing internal and external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management;
- reviewing the quality and reliability of information prepared for inclusion in the financial reports and approving the financial statements and the audit report before recommending to the Board for approval;
- monitoring the procedures established to regulate Related Party Transactions (as defined below), including ensuring compliance with the provisions of the Listing Manual relating to transactions between CMT and an “interested person”, and provisions of the Property Funds Guidelines (forming part of the CIS Code) relating to transactions between CMT and an “interested party”;
- approving the appointment and re-appointment of auditors and reviewing the adequacy of existing audits in respect of cost, scope and performance;
- reviewing the non-audit services provided by the auditors and confirm that they would not, in the Audit Committee’s opinion, impair on the independence of the auditors; and
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Fund Guidelines.

The Audit Committee plans to meet with the internal and external auditors, without the presence of management, at least once a year.

Internal Controls

The Manager has put in place a system of internal controls of procedures and processes to safeguard CMT’s assets, Unitholders’ interests, as well as to manage risk.

The internal audit function of the Manager is supported by CapitaLand’s Internal Audit (“CLIA”) Department. CLIA plans its internal audit schedules in consultation with, but independent of management and its plan is submitted to the Audit Committee for approval at the beginning of the year. The Audit Committee must also meet with the CLIA team at least once a year, without the presence of management.

A majority of the CLIA staff are members of the Singapore branch of the Institute of Internal Auditors, Inc. ("IIA"), which has its headquarters in the USA. CLIA subscribes to, and is guided by the Standards for the Professional Practice of Internal Auditing developed by the IIA and have incorporated these standards into its audit practices.

The standards set by the IIA cover requirements in respect of the following:

- Independence
- Professional proficiency
- Scope of work
- Performance of audit work
- Management of the Internal Audit Department

To ensure that the internal audits are performed by competent professionals, CLIA recruits and employs suitably qualified staff. In order that their technical knowledge remains current and relevant, CLIA identifies and provides training and development opportunities to the staff. The internal audit function provided by CLIA meets with the standards set by the IIA.

Dealings with Related Parties

Review Procedures for Related Party Transactions

In general, the Manager has established internal control procedures to ensure that transactions involving the Trustee, as the trustee of CMT, and a related party of the Manager ("Related Party Transactions") are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties. In addition, the following procedures would be undertaken:

- transactions (either individually or as part of a series) equal to or exceeding S\$100,000 in value but below 3.0 per cent. of CMT's net tangible assets will be subject to review by the Audit Committee at regular intervals;
- transactions (either individually or as part of a series) equal to or exceeding 3.0 per cent. but below 5.0 per cent. of CMT's net tangible assets will be subject to the review and approval of the Audit Committee. Such approval shall only be given if the transactions are on arm's length commercial terms and consistent with similar types of transactions made by the Trustee, as trustee of CMT, with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series) equal to or exceeding 5.0 per cent. of CMT's net tangible assets will be reviewed and approved by the Audit Committee who may as it deem fit request advice on the transaction from independent sources or advisors, including the obtaining of valuations from professional valuers.

Where matters concerning CMT relate to transactions entered into or to be entered into by the Trustee for and on behalf of the CMT with a related party of the Manager, the Trustee is required to ensure that such transactions are conducted at arm's length in accordance with the applicable requirements of the Property Funds Guidelines and/or the Listing Manual relating to the transaction in question. Further, the Trustee, as trustee of CMT, has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party Transaction of the Manager. If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review that contract to ensure that it complies with applicable requirements relating to interested party transactions in the Property Funds Guidelines and the provisions of the Listing Manual relating to interested person transactions as well as other guidelines as may from time to time be prescribed by the SGX-ST or other relevant authority to apply to real estate investment trusts.

Role of the Audit Committee for Related Party Transactions

All Related Party Transactions will be subject to regular periodic reviews by the Audit Committee.

The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted at arm's length and on normal commercial terms and are not prejudicial to Unitholders. The Manager will maintain a register to record all Related Party Transactions (and the basis, including the quotations obtained to support such basis, on which they are entered into) which are entered into by CMT. The Manager will incorporate into its internal audit plan a review of all Related Party Transactions entered into by CMT. The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with.

The Audit Committee will periodically review Related Party Transactions to ensure compliance with the internal control procedures and with the relevant provisions of the Listing Manual and the Property Funds Guidelines. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the Audit Committee.

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

The aggregate value of Related Party Transactions (equal to or exceeding S\$100,000 each in value) conducted during the financial year will be disclosed in CMT's Annual Report.

Dealings with Conflicts of Interest

The following 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 CMT:

- All executive officers of the Manager will be employed by the Manager.
- All resolutions at meetings of the Board of Directors of the Manager in relation to matters concerning CMT must be decided by a majority vote of the Directors, including at least one independent director.
- 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 CMT with an affiliate 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 CMT, has a prima facie case against the party allegedly in breach under such agreements, the Manager shall be obliged to pursue the appropriate remedies under such agreements. The Directors of the Manager will have a duty to ensure that the Manager shall comply with the aforesaid. 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 CMT with an affiliate of the Manager and the Trustee may take such action as it deems necessary to protect the rights of Unitholders and/or which is in the interests of Unitholders. Any decision by the Manager not to take action against an affiliate of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such affiliate.

Additionally, the Trustee has been granted a right of first refusal by CCL over all retail income producing properties with certain specified characteristics which may in the future be identified and targeted for acquisition by CCL or any of its subsidiaries.

Risk Assessment and Management

The Manager's focus on risk management recognises that risk management is, prima facie, an issue for management. The risk management framework supports this focus but provides a structured context for those personnel to undertake a half yearly review of the past performance of, and to profile the current and future risks facing, their area of responsibility.

This risk information is consolidated and used as key input into the corporate strategy sessions attended by management and the Property Manager. This is held quarterly to review CMT's strategic direction in detail and includes specific focus on the identification of key business and financial risks which could prevent CMT from achieving its objectives. Management is then required to ensure that appropriate controls are in place to effectively manage those risks, and will be monitored by the Board on a quarterly basis. The internal audit plan is developed in conjunction with the risk management programme and focused to confirm the operation of internal controls and to assess the effectiveness and efficiency of the control environment.

In addition, the Board requires that each major proposal submitted to the Board for decision be accompanied by a comprehensive risk assessment and, where required, management's proposed mitigation strategies.

Communications with Unitholders

The Manager has set up an Investor Relations Department to engage in regular and timely communications with Unitholders and the investing community. The Manager will conduct regular briefings for analysts and media representatives, which in general will coincide with the release of CMT's results. During these briefings, management will review CMT's most recent performance as well as discuss the business outlook for CMT. In the interest of transparency and broad dissemination, briefing materials are released to the SGX-ST and also made assessable on CMT's website at www.capitamall.com.

During the year under review, the Manager also met with institutional investors in Singapore, United Kingdom, Hong Kong and Australia. In addition, the Manager pursues opportunities to educate and keep retail investors informed of the emergence of the REIT industry.

Dealings in Securities

The Manager has voluntarily issued guidelines to its directors and employees which prohibit dealings in CMT units while in possession of price-sensitive information and during the one month before and up to (and including) the date of announcement of CMT's results (quarterly as well as full year). Under these guidelines, directors and employees should also refrain from dealings in CMT units on short term considerations.

Corporate Disclosure Committee

The Corporate Disclosure Committee operates under the delegated authority of the Board. This committee reviews corporate disclosure matters relating to CMT, including announcements to the SGX-ST, and pursues best practices in terms of transparency. The members of this committee are Hsuan Owyang, Liew Mun Leong, Hiew Yoon Khong and Lui Chong Chee.

CAPITAMALL TRUST MANAGEMENT LIMITED

BOARD COMPOSITION AND COMMITTEES

The matrix of the Board members' participation in the various board committees is as follows. This reflects each Board member's additional responsibilities and special focus on the respective board committee of the Manager.

Board Members	Audit Committee	Executive Committee	Corporate Disclosure Committee
Hsuan Owyang	C		C
Liew Mun Leong		C	M
James Glen Service	M		
David Wong Chin Huat			
Pua Seck Guan		M	
Hiew Yoon Khong		M	M
Lui Chong Chee	M	M	M
Steven Choo Kian Koon			
S. Chandra Das			

Denotes: C - Chairman M - Member

The Manager believes that contributions from each director can be reflected in ways other than the reporting of attendances at Board and committee meetings. A director of the Manager would have been appointed on the principles outlined earlier in this Statement, and his ability to contribute to the proper guidance of the Manager in its management of CMT.