

CORPORATE GOVERNANCE

INTRODUCTION

The Manager's main responsibility is to manage the assets and liabilities of the REIT for the benefit of its Unitholders. The Manager sets the strategic direction of the REIT and gives recommendations to HSBC Institutional Trust Services (Singapore) Limited, as trustee of the REIT (the "Trustee"), on the acquisition, divestment and enhancement of the assets of the REIT in accordance with its stated investment strategy. The Manager is also responsible for the risk management of the REIT.

The Manager was appointed in accordance with the terms of the trust deed entered into between the Manager and the Trustee constituting Sabana REIT dated 29 October 2010 (as amended, varied or supplemented from time to time), (collectively the "Trust Deed"). The Trust Deed also outlines certain circumstances under which the Manager can be removed, including by notice given in writing by the Trustee upon the occurrence of certain events, or 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 Manager is licensed under the Securities and Futures Act, Chapter 289 ("SFA") to carry out REIT management activities and holds a Capital Markets Services ("CMS") Licence issued by the Monetary Authority of Singapore ("MAS").

The Manager is committed to upholding high standards of corporate governance, which are essential to sustaining the REIT's business and performance. This report describes the Manager's corporate governance framework and practices in compliance with the principles and guidelines of the Code of Corporate Governance 2018 (the "2018 Code"). The Manager confirms that it has adhered to the principles and guidelines as set out in the 2018 Code where applicable. Any deviations from the 2018 Code are explained.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: 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 provides entrepreneurial leadership, sets the strategic direction and ensures that the necessary resources are in place for the Manager to meet its objectives. It also sets the values and standards for the Manager and the REIT (including ethical standards of conduct), to ensure that obligations to its stakeholders are understood and met, with the ultimate aim of safeguarding and enhancing Unitholders' value.

As at 31 December 2020, the Board members of the Manager are:

Independent Directors

Mr Tan Cheong Hin (Chairman)

Mr Wong Heng Tew

Ms Ng Shin Ein¹

¹ Ms Ng Shin Ein's last day of service with the Manager was on 31 December 2020.

Note:

- ⁽ⁱ⁾ Mr Willy Shee Ping Yah @ Shee Ping Yan joined the Manager on 1 January 2021 as an Independent Non-Executive Director and member of the Nominating and Remuneration Committee. He resigned on 24 March 2021 and his last day of service with the Manager is 26 April 2021.
- ⁽ⁱⁱ⁾ Mr Yeo Wee Kiong joined the Manager on 1 January 2021 as an Independent Non-Executive Director, the Chairman of the Nominating and Remuneration Committee and member of the Audit and Risk Committee. He resigned on 24 March 2021 and his last day of service with the Manager is 26 April 2021.
- ⁽ⁱⁱⁱ⁾ Mr Kelvin Tan Wee Peng resigned on 4 May 2020 and his last day of service with the Manager was on 11 June 2020.

The profiles of the Directors are set out on pages 10-12 of this Annual Report.

The Board provides oversight and assumes overall responsibility for the corporate governance of the Manager, including establishing goals for Management and monitoring the achievement of these goals. The Board has established an oversight framework for the Manager and the REIT, including a system of internal controls which enables risks to be assessed and managed.

In order for the Board to efficiently provide oversight, it delegates specific areas of responsibilities to its Board Committees, namely, the Nominating and Remuneration Committee ("NRC") and Audit and Risk Committee ("ARC"). Each Board Committee is governed by its terms of reference which have been carefully considered and approved by the Board.

The Manager has adopted a framework of delegated authorisations in its Delegation of Authority ("DOA") approved by the Board. The DOA sets out the level of authorisation and the respective approval limits for a range of transactions, including but not limited to acquisitions, divestments, operating and capital expenditures. Transactions and matters which require the Board's approval, such as annual budgets, financial statements, funding and investment proposals, opening and closing of bank accounts, are clearly set out in the DOA.

The Board meets at least once every quarter to discuss and review the financial performance of the REIT, including any significant acquisitions and disposals, funding strategy and hedging activities, and to approve the release of the half-yearly and full year financial results. Additional meetings are convened as and when warranted by particular circumstances requiring the Board's attention. The Constitution of the Manager provides for Directors' participation in meetings by way of telephone or video-conferencing or other methods of simultaneous communication by electronic or telegraphic means. Where a Director has a conflict of interest in a particular matter, he or she will be required to disclose his or her interest to the Board, recuse himself from deliberations on the matter and abstain from voting on the matter. Please also see the disclosures with respect to Principle 4 "Board Membership and Performance" for information regarding the attendance of the Directors at Board meetings and Board Committee meetings and the resources provided to Directors prior to such meetings.

The Manager issues formal letters upon appointment of new Directors, setting out their relevant duties and obligations, to acquaint them with their responsibilities as Directors of the Manager.

Newly appointed Directors are provided with information relating to the REIT's business, strategic directions, corporate governance policies and procedures. Training will be arranged for first-time Directors in areas such as accounting, legal and industry-specific knowledge in accordance with the Listing Rules. The costs of arranging and funding the training of the Directors will be borne by the Manager.

The Directors are also regularly updated on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards which are relevant to or may affect the Manager or the REIT. The Manager encourages and sponsors its Directors to attend training courses, so as to stay abreast of changes to the financial, legal and regulatory requirements and the business environment. The Directors may also, at any time, request for further explanations, briefings, or informal discussions on new developments in laws and regulations or changes in regulatory requirements and financial reporting standards, as well as any aspect of the REIT's or the Manager's operations or business issues.

BOARD COMPOSITION AND GUIDANCE

Principle 2: 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 composition of the Board is determined using the following principles:

1. The Chairman should be an Independent Non-Executive Director;
2. To comply with regulatory requirements, at least half of the Board currently comprises Independent Directors; and
3. The Board should be of an appropriate size and have a mix of experience in business, finance, law and management skills, knowledge, experience, and other aspects of diversity critical to the REIT's business and each Director should bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

As at 31 December 2020, the Board comprised three Independent Non-Executive Directors, (namely, Mr Tan Cheong Hin, Mr Wong Heng Tew, and Ms Ng Shin Ein) that is, they have no relationship with the Manager, its related companies, its substantial shareholders², or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to act in the best interest of the REIT, and they are able to exercise objective judgment on corporate affairs independently from the management and the Manager's substantial shareholders.

Board's views on Directors' independence for purposes of Regulation 13E(b) of the SFLCBR (as defined below)

Furthermore, for purposes of Regulation 13E(b) of the Securities and Futures (Licensing and Conduct of Business) Regulations (the "SFLCBR"), the Board, after considering the relevant requirements under the SFLCBR, is of the view that the Independent Directors (namely Mr Tan Cheong Hin, Mr Kelvin Tan Wee Peng³, Mr Wong Heng Tew, Ms Ng Shin Ein⁴) are considered to be independent for the financial year under review under the SFLCBR because:

- (i) they were not substantial shareholders of the Manager and were not substantial Unitholders of the REIT;
- (ii) they did not have any management or business relationships with the Manager and its related companies as well as the REIT and its subsidiaries (save for the business relationship which Ms Ng Shin Ein was deemed to have with InfinitySub Pte. Ltd. ("InfinitySub") under Regulation 13G(2)(b) of the SFLCBR as elaborated below);
- (iii) they were independent from every substantial shareholder of the Manager and every substantial Unitholder of the REIT (save for Ms Ng Shin Ein who was a Non-Executive Director of Blackwood Investment Pte. Ltd. ("Blackwood") (which held a 45.0% indirect interest in the Manager) until her resignation from the board of Blackwood on 25 October 2019; and
- (iv) as at 31 December 2020, none of the Directors had served on the Board for more than nine years from the date of his/her first appointment.

With respect to (ii) above, while Ms Ng Shin Ein had in FY 2018 and FY 2019 received payments from InfinitySub (a related corporation of the Manager) for her divestment to InfinitySub of all her shares in Blackwood, which gave rise to a deemed business relationship with InfinitySub under Regulation 13G(2)(b) of the SFLCBR, the NRC and the Board (having taken into account the recommendation of the NRC) had on 31 October 2019 reviewed and assessed Ms Ng Shin Ein's independence⁵, taking into consideration her deemed business relationship with InfinitySub, and were satisfied pursuant to Regulation 13D(8) of the SFLCBR that notwithstanding the deemed business relationship, Ms Ng Shin Ein was able to act in the best interests of all Unitholders of the REIT as a whole and should therefore be regarded as independent based on the following grounds:

- (a) the payments received by Ms Ng Shin Ein from InfinitySub were for the divestment of her shares in Blackwood and following the final payment received by Ms Ng Shin Ein for the divestment of her remaining stake in Blackwood on 30 August 2019, there was no further payment from InfinitySub to Ms Ng Shin Ein;

² A "substantial shareholder" of a company is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5.0% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.

³ Mr Kelvin Tan Wee Peng resigned on 4 May 2020 and his last day of service with the Manager was on 11 June 2020.

⁴ Ms Ng Shin Ein resigned on 7 December 2020 and her last day of service with the Manager was on 31 December 2020.

⁵ At that time, the Board comprised Mr Yong Kok Hoon, Mr Kelvin Tan Wee Peng, Mr Tan Cheong Hin, Mr Wong Heng Tew and Ms Ng Shin Ein, and the NRC comprised Mr Yong Kok Hoon, Mr Kelvin Tan Wee Peng and Ms Ng Shin Ein. Ms Ng Shin Ein was appointed as a member of the NRC on 27 August 2019 and subsequently appointed as Chairman of the NRC with effect from 1 November 2019, following Mr Yong Kok Hoon's retirement from the Board and cessation as the Chairman of the NRC on 31 October 2019.

- (b) subsequent to the receipt of the final payment for the divestment of Ms Ng Shin Ein's shares in Blackwood on 30 August 2019, and given that Ms Ng Shin Ein had ceased to be a Director of Blackwood on 25 October 2019, Ms Ng Shin Ein no longer had any other relationship with the Manager, the REIT or their related corporations for purposes of the SFLCBR;
- (c) Ms Ng Shin Ein had submitted her confirmation of independence; and
- (d) Ms Ng Shin Ein fulfilled the requirements set out in the 2018 Code.

The Board is satisfied that as at 31 December 2020, Ms Ng Shin Ein was able to act in the best interests of all the Unitholders of the REIT as a whole, notwithstanding her deemed business relationship with InfinitySub.

As Independent Non-Executive Directors make up more than half of the Board, no individual or group is able to dominate the Board's decision-making process.

The NRC reviews the size and composition of the Board on an annual basis, and considers the present Board size and composition as appropriate for the current scope and nature of the REIT's operations. The diversity of skills, experience, knowledge, core competencies of the members in areas such as accounting, finance, property, and business development and other aspects of diversity such as gender and age enable balanced and well-considered decisions to be made. Each Director has been appointed based on his experience and capability in relevant core competencies, and ability to contribute to the Board. The NRC also regularly reviews its composition to ensure that the Board has the appropriate balance and diversity to maximise its effectiveness.

Based on the NRC's review of the size and composition of the Board and the diversity of skills, experience, knowledge and core competencies of the Board members and related recommendations on these aspects, the Board is satisfied that there is a strong and independent element on the Board, and that the present size and composition of the Board is appropriate to facilitate effective decision-making.

As part of the regulatory requirements for CMS licence holders, MAS' prior approval must be obtained for any change of the Chief Executive Officer ("CEO") or of any Board member.

While the Board is of the view that it 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 REIT and its Unitholders, the NRC is still currently working on implementing a board diversity policy to build on the other aspects of diversity as well as to set out certain qualitative and measurable quantitative objectives of such a policy to further enhance the Board.

CHAIRMAN AND CEO

Principle 3: 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.

The division of responsibilities and functions between the Chairman and the CEO has been demarcated to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. The Chairman, Mr Tan Cheong Hin, and the CEO, Mr Han Yong Lee (Donald), are not related to each other, nor is there any business relationship between them.

The Chairman leads the Board to ensure its effectiveness by promoting a culture of openness and debate at the Board meetings on key issues pertinent to the business and operations of the REIT and the Manager. He encourages effective contribution from all Directors and facilitates constructive relations with the Board and between the Board and Management. He ensures the Directors receive complete, adequate and timely information and promotes effective communication with Unitholders on the performance of the REIT. He also spearheads the Manager's drive to achieve and maintain high standards of corporate governance.

The CEO has full executive responsibilities over the business direction and operational decisions in managing the REIT. He is responsible for the day-to-day management of the Manager and the REIT, and is accountable to the Board for the execution of the Board's adopted strategies and policies.

BOARD MEMBERSHIP AND PERFORMANCE

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

As at 31 December 2020, the NRC comprised all of the Directors of the Board (see page 88 on the list of Directors), with all of the Directors being Independent Non-Executive Directors^{6,7}:

The NRC is guided by written Terms of Reference which sets out the authorities and duties of this Committee.

The NRC reviews and makes recommendations to the Board on all nominations for appointments and re-appointments to the Board and the Board Committees. It also leads the process for the search, identification, evaluation and selection of suitable candidates for new directorships. In doing so, where necessary or appropriate, the NRC may tap on its networking contacts and/or engage professional headhunters to assist with identifying and shortlisting candidates. Furthermore, the NRC also reviews and makes recommendations to the Board on matters relating to the training and professional development and succession plans for senior management and members of the Board as part of the NRC's nomination process, the NRC will also take into account, among other things, the competing time commitments faced by Directors with multiple board memberships.

The Board has implemented an annual process which is carried out by the NRC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board, based on performance criteria as approved by the Board. All Directors are required to assess the performance of the Board and its Committees using evaluation forms covering Board composition, Board information, Board process, internal control and risk management, Board accountability, CEO/senior management and standards of conduct. The NRC also determines, among other things, the independence of Directors, whether Directors who hold multiple board representations or have other competing principal commitments are able to and have been adequately carrying out his or her duties, considering, *inter alia*, the Directors' attendance, contribution and participation at Board meetings, Directors' individual evaluations and the overall effectiveness of the Board. Feedback and comments received from the Directors are collated, analysed and reviewed by the NRC.

The Board ensures that the Directors give sufficient time and attention to the affairs of the Manager and the REIT. The Board is of 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, but as a general rule, each Director should hold no more than seven listed company board appointments. The principal commitments of each Director are listed in pages 11-12 of this Annual Report. Based on the reviews by the NRC, the Board is of the view that the Board and its Committees operate effectively and each Director has contributed to the overall effectiveness of the Board. No alternate Directors were appointed.

The Board reviews annually whether a Director is considered an Independent Director based on the 2018 Code, the Listing Rules and the SFLCBR. The Board has ascertained that for the financial year under review, the Independent Directors (namely Mr Tan Cheong Hin, Mr Kelvin Tan Wee Peng⁸, Mr Wong Heng Tew, Ms Ng Shin Ein⁹) are independent. Please see the disclosures with respect to Principle 2 "Board Composition and Guidance" for the assessment of the Directors' independence by the NRC and the Board.

The Management endeavours to provide the Board with complete, adequate and timely information prior to board meetings and on an ongoing basis. Directors are entitled to request for information from Management and Management seeks to provide the same in a timely manner. Please also see the disclosures with respect to Principle 1 "The Board's Conduct of Affairs" for the steps taken by the Board to ensure that Directors are aware of the scope and extent of their duties.

⁶ Mr Yeo Wee Kiong was appointed an Independent Non-Executive Director, Chairman of the NRC and member of the ARC on 1 January 2021. He resigned on 24 March 2021 and his last day of service with the Manager is 26 April 2021.

⁷ Mr Willy Shee Ping Yah @ Shee Ping Yan was appointed an Independent Non-Executive Director and member of the NRC on 1 January 2021. He resigned on 24 March 2021 and his last day of service with the Manager is 26 April 2021.

⁸ Mr Kelvin Tan Wee Peng resigned on 4 May 2020 and his last day of service with the Manager was on 11 June 2020.

⁹ Ms Ng Shin Ein resigned on 7 December 2020 and her last day of service with the Manager was on 31 December 2020.

Board meetings for each year are scheduled in advance to facilitate Directors' individual arrangements in respect of ongoing commitments. Prior to each meeting, Board papers on matters to be discussed with detailed explanatory information and other relevant materials are circulated in advance, so that such matters may be considered thoroughly and fully, prior to the making of any decision. Explanatory information may also be in the form of briefings to the Directors or formal presentations by staff in attendance at Board meetings or by external professionals.

The number of Board meetings and Board Committee meetings held during the year from 1 January 2020 to 31 December 2020 and Directors' attendances are as follows:

ATTENDANCE OF THE DIRECTORS FOR FY 2020

Meeting of Name of Directors	Board		ARC		NRC	
	No. of Meetings	Attendance	No. of Meetings	Attendance	No. of Meetings	Attendance
Mr Tan Cheong Hin	27	27	4	4	5	5
Mr Kelvin Tan Wee Peng ¹⁰	2	2	2	2	3	3
Ms Ng Shin Ein ¹¹	27	27	2	2	5	5
Mr Wong Heng Tew ¹²	27	26	4	3	2	2

The Board has access to Management and the Company Secretary at all times. The Company Secretary (or representative) attends all Board meetings and ensures that all Board procedures and the requirements of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") are followed. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.

As a general rule, board papers, including the half-yearly and full-year financial statements, are sent to Directors in advance of each meeting for Directors to be adequately prepared for each meeting. The Board papers are deliberated over and approved by the Board at the meetings, with the Company Secretary recording the minutes of proceedings.

Directors may seek and obtain independent professional advice in the furtherance of their duties, if necessary. Any expenses and costs associated thereto will be borne by the Manager.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

LEVEL AND MIX OF REMUNERATION

DISCLOSURE ON REMUNERATION

Principle 6: 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.

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Principle 8: 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.

¹⁰ Mr Kelvin Tan Wee Peng resigned on 4 May 2020 and his last day of service with the Manager was on 11 June 2020.

¹¹ Ms Ng Shin Ein resigned on 7 December 2020 and her last day of service with the Manager was on 31 December 2020.

¹² Mr Wong Heng Tew was appointed a member of the NRC on 4 May 2020 and was redesignated as Chairman of the ARC on 12 June 2020.

The NRC, which currently comprises entirely Independent Non-Executive Directors, serves the crucial role of ensuring that a formal and transparent procedure is established for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration policy comprises the following distinct objectives:

- (a) to ensure that the procedure for determining remuneration for Directors and executive officers is formal and transparent;
- (b) to ensure that the level of remuneration is sufficient to attract and retain Directors and that the remuneration packages are competitive in attracting and retaining employees;
- (c) to ensure that no Director is involved in deciding on his own remuneration;
- (d) to ensure that remuneration is commensurate with employees' duties, responsibilities and length of service;
- (e) to build sustainable value-creation to align with long-term Unitholder interest;
- (f) to reward employees for achieving performance targets; and
- (g) to enhance retention of key talents to build strong organisational capabilities.

The NRC determines remuneration packages, termination terms and service terms of individual Directors and the CEO in accordance with the aforementioned policies. Directors' fees also take into account the Directors' level of participation and contribution and their respective responsibilities. To ensure that the remuneration payable are in line with the objectives of the remuneration policies, the NRC regularly reviews and recommends to the Board, the framework for salary reviews, performance bonus and incentives for the other key management personnel, taking into consideration the performance of the REIT and that of the individual employee. There are currently no option schemes or other long-term incentive schemes for Directors and employees. All Non-Executive Directors are paid a fixed salary and the CEO's remuneration is not linked to the gross revenue of the REIT. There are no employees who are substantial shareholders of the Manager, substantial Unitholders of the REIT, or immediate family members of any Director or the CEO or any substantial shareholder of the Manager or substantial Unitholder of the REIT. In addition, the remuneration of Directors and executive officers are paid entirely in cash only. No Director or executive officers are paid in the form of shares or interests in the Manager's controlling shareholder or its related entities and their remuneration is also not linked (directly or indirectly) to the performance of any entity other than the REIT.

Accordingly, the NRC takes a holistic approach to the development of remuneration policies for the REIT, and the framework of remuneration for the Board, key management personnel and individual employees is not considered in isolation. The NRC also considers how to build up depth in management strength and development of key management personnel to ensure sustainability, continual development of talent and renewal of strong and competent leadership in the interests of the REIT.

The remuneration of the Directors and employees of the Manager are not paid out of the deposited property (the "Deposited Property") of the REIT (which is the listed entity), but remunerated directly by the Manager from the fees it receives.

In this regard, the Manager's report on each individual Director's and the key management personnel's remuneration paid and payable from 1 January 2020 to 31 December 2020 is disclosed as follows:

Directors	Director's fees \$'000
Mr Tan Cheong Hin	90.0
Mr Kelvin Tan Wee Peng	59.8
Mr Wong Heng Tew	69.4
Ms Ng Shin Ein	68.3

Note:

Mr Kelvin Tan Wee Peng resigned on 4 May 2020 and his last day of service with the Manager was on 11 June 2020. Ms Ng Shin Ein resigned on 7 December 2020 and her last day of service with the Manager was on 31 December 2020.

Remuneration Bands	Salary	Bonus	Other Benefits	Total
	%	%	%	%
Key management personnel				
\$250,000 - \$500,000				
Mr Han Yong Lee (Donald)	71.0	17.8	11.2	100.0
Ms Pamela Siow Meow Cheng	73.4	12.3	14.3	100.0
Below \$250,000				
Mr Lim Wei Huang	60.2	23.8	16.0	100.0

Note: Remuneration was based on amount paid and payable, based on the REIT's FY 2020. The total remuneration mix comprises three components – Annual Fixed Salary, Bonus and Other Benefits. The Bonus component aims to encourage individual performance and consists of annual wage supplement and performance bonus. The size of the performance bonus is determined by the REIT's financial and non-financial performance, and is distributed to the key management personnel based on their individual performance. Leave encashment, mobile and transport allowances are classified under Other Benefits. There were no other key management personnel.

The key management team is small and to provide further disclosure on the actual amount of remuneration paid will be highly sensitive and may subject the Manager to risk of staff turnover, which is not in the best interests of Unitholders. Therefore, the Board believes the Unitholders and the REIT will not be prejudiced as a result of such non-disclosure.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

AUDIT COMMITTEE

Principle 9: 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.

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The ARC assists the Board in fulfilling responsibilities relating to corporate governance and interested party transactions.

The Manager prepares the financial statements in accordance with the Singapore Financial Reporting Standards prescribed by the Accounting Standards Council and the REIT complies with Rule 705 of the Listing Manual of the SGX-ST (where applicable), which prescribes, among others, that half year results are to be announced no later than 45 days of the reporting period while full year results are to be announced no later than 60 days of the financial year end. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of the REIT's performance, position and prospects.

The Board, through the ARC, reviews the adequacy of the Manager's risk management framework and ensures that a robust system of risk management and internal controls is in place to safeguard the interests of the Unitholders. The Manager benchmarks its risk management practices against the Risk Governance Guidance For Listed Boards for best standards.

The ARC is governed by written terms of reference defining its authority and duties, with explicit authority to investigate any matter within its term of reference. The ARC has full access to and co-operation by Management and full discretion to invite any Director or employee of the Manager to attend its meetings.

As at 31 December 2020, the ARC members were:

Mr Wong Heng Tew (Chairman)	(Independent Non-Executive Director)
Mr Tan Cheong Hin	(Independent Non-Executive Director)
Ms Ng Shin Ein ¹³	(Independent Non-Executive Director)

¹³ Ms Ng Shin Ein resigned on 7 December 2020 and her last day of service with the Manager was on 31 December 2020. Mr Yeo Wee Kiong was appointed a member of the ARC on 1 January 2021. Mr Yeo Wee Kiong was also appointed the Chairman of the NRC on 1 January 2021. He resigned on 24 March 2021 and his last day of service with the Manager is 26 April 2021.

The main duties of the ARC include reviewing and monitoring the effectiveness of the Manager's internal controls relating to financial, operational, compliance and risk management processes, at least annually. The ARC receives regular updates by external auditors to keep abreast of changes to accounting standards and issues which may have a direct impact on financial statements. The ARC meets with internal and external auditors without the presence of Management at least once a year. The Non-Executive Directors and/or Independent Directors, led by the Independent Chairman of the Board or other Independent Director as required, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman of the Board as appropriate.

The key activities of ARC include:

- reviewing and recommending to the Board for approval, the half-yearly and full-year financial results and related SGX announcements;
- reviewing Related Party Transactions and any donations of income derived from non-Shari'ah compliant sources or non-core activities to charities;
- reviewing the assurance from the CEO and Senior Vice President, Finance on the financial records and financial statements;
- reviewing and approving the internal and external audit plans to ensure adequacy of the audit scope;
- reviewing the independence, adequacy and effectiveness of the external audit and the internal audit function;
- reviewing and evaluating with internal and external auditors, the adequacy and effectiveness of internal control systems, including financial, operational, compliance and information technology controls, and risk management policies and framework;
- reviewing the internal and external audit reports and monitoring the timely and proper implementation of any corrective or improvement measures;
- reviewing the nature and extent of non-audit services, including their remuneration and terms of engagement, performed by the external auditors;
- reviewing the independence and objectivity of the external auditors, and recommending to the Board on their appointment, re-appointment and removal; and
- reviewing whistle-blowing arrangements put in place by Management.

The Board is of the view that all the members of the ARC are suitably qualified with finance and accounting backgrounds to assist the Board in the areas of internal controls, financial and accounting matters, compliance and risk management, including oversight over Management in the design, implementation and monitoring of risk management and internal control systems. The ARC does not comprise former partners of the REIT's incumbent external auditors, KPMG LLP (a) within a period of two years commencing from the date of their ceasing to be partners of KPMG LLP; or (b) who have any financial interest in KPMG LLP.

The ARC, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy and effectiveness of the Manager's system of controls, including financial, operational, compliance and information technology controls put in place by the Management as part of the framework.

The ARC decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function of the Manager is outsourced to BDO Advisory Pte Ltd ("BDO"). The internal auditors are guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors, and report directly to the ARC on audit matters. The internal audit function has unfettered access to all the REIT's documents, records, properties and personnel, including the ARC, and has appropriate standing within the Management.

The internal auditors conduct audit reviews based on the internal audit plan approved by the ARC and report their findings and recommendations to Management who would respond on the actions to be taken. The internal auditors submit internal audit reports at least twice yearly to the ARC. The ARC is of the view that the internal auditors are independent, effective and have adequate resources to perform its functions.

The Manager has adopted an enterprise-wide risk management ("ERM") framework to enhance its risk management capabilities. Through a structured risk identification process and the use of a risk register, the key financial, operational, compliance and information technology risks identified by the Management are documented and presented against the response strategies and control measures put in place to mitigate those risks. To enhance risk mitigation, the ERM framework is integrated with the internal auditor's annual work plan.

EXTERNAL AUDITORS

The ARC makes recommendation to the Board on the appointment/re-appointment of the external auditors, taking into consideration the scope, results of the audit, as well as the cost effectiveness, independence and objectivity of the external auditors.

During the year, the ARC has conducted a review of all non-audit services provided by the external auditors to REIT and its subsidiaries and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors. The amount paid and payable to external auditors for audit and non-audit services fees were approximately \$211,000 and \$61,000 respectively, for the financial year under review.

The ARC, with the concurrence of the Board, has recommended the re-appointment of KPMG LLP as the external auditors. The re-appointment of the external auditors will be subject to approval by way of an ordinary resolution of Unitholders at the AGM, to be held on 27 April 2021.

In appointing the audit firms for the REIT and its subsidiaries, the Board is satisfied that the REIT has complied with the requirements of Rules 712 and 715 of the Listing Manual of the SGX-ST.

WHISTLE-BLOWING POLICY

The ARC has established procedures to provide employees of the Manager and the tenants and vendors of the REIT with well-defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to the REIT or the Manager, and for the independent investigation of any reports and appropriate follow-up action.

The aim of the whistle-blowing policy is to encourage the reporting of such matters in good faith, with the confidence that those making such reports will be treated fairly, and to the extent possible, be protected from reprisal. Where appropriate, an independent third-party may be appointed to assist in the investigation

The following section presents a brief summary of the REIT's exposure to financial, operational, and compliance risks and the key measures in addressing these risks.

FINANCIAL RISK

In managing the REIT, the Manager adheres to all applicable financial covenants set by lenders as well as the aggregate leverage limit of 50.0% imposed by MAS in the Property Funds Appendix¹⁴. The REIT has complied with the aggregate leverage limit throughout the year. To minimise financial risks, the Manager reviews the capital management policy of the REIT regularly and provides periodic updates to the Directors. All major capital market initiatives require the prior approval of the Board.

By employing an appropriate mix of debt and equity to finance property acquisitions, maintaining a certain level of cash for working capital and employing available Shari'ah-compliant derivatives to hedge risk exposure, the Manager strikes a strategic balance between safeguarding the going concern ability and optimal capital structure of the REIT with maximising Unitholders' value.

OPERATIONAL RISK

The Manager has put in place a manual of standard operating procedures designed to identify, monitor, report and manage the operational risks associated with the day-to-day management of the REIT. The manual of standard operating procedures covers key risk areas such as investments and acquisitions, property and lease management, interested party transactions, finance and accounting, compliance, and information technology controls, and is periodically reviewed to stay relevant and effective.

¹⁴ On 16 April 2020, the MAS announced that the aggregate leverage limit for Singapore real estate investment trusts ("S-REITs") will be raised from 45.0% to 50.0% with immediate effect, and the Property Funds Appendix was revised accordingly. Pursuant to the Property Funds Appendix, an S-REIT is permitted to borrow up to:

- 50.0% of the value of the Deposited Property at the time the borrowing is incurred (before 1 January 2022); and
- 45.0% of the value of the Deposited Property at the time the borrowing is incurred, save that the borrowings may exceed 45.0% of the value of the Deposited Property (up to a maximum of 50.0%) only if the S-REIT has a minimum adjusted interest coverage ratio of 2.5 times after taking into account the interest payment obligations arising from the new borrowings (on or after 1 January 2022).

The Manager recognises that there is a significant amount of risk inherent in making property investment decisions. Accordingly, the Manager sets out clear procedures when making such decisions. For instance, an investment and risk management committee was set up to ensure comprehensive due diligence is carried out in relation to each proposed investment. All property purchases and divestments require the prior approval of the Board.

Internal auditors, BDO, had also been engaged to perform independent reviews of the adequacy and effectiveness of the risk management processes and internal controls. The Manager also has a Business Continuity Plan and a comprehensive insurance coverage in accordance with industry standards.

COMPLIANCE RISK

The REIT is subject to various rules and regulations stipulated by the SGX-ST and other regulatory bodies. Any changes to the rules and regulations may affect the REIT's business.

The Manager holds a CMS licence for real estate investment trust management and its key officers are appointed as representatives by MAS under the SFA. Failure to comply with the regulations imposed by MAS may result in the licences being revoked or not renewed, adversely affecting the REIT's operations.

The Manager has policies and procedures for ensuring compliance with the applicable provisions of the SFA and all other relevant legislations, rules, notices and guidelines, including the Listing Manual of the SGX-ST, the Code on Collective Investment Schemes issued by the MAS including the Property Funds Appendix, the Manager's obligations under the Trust Deed, the Singapore Financial Reporting Standards, any tax ruling and the relevant contracts.

To mitigate non-compliance, the compliance officer regularly consults the regulatory bodies and works closely with the auditors, legal counsels, the Company Secretary, senior management and the ARC to ensure adherence to all stipulated rules and regulations.

BOARD'S OPINION ON INTERNAL CONTROLS

Based on the internal controls and risk management framework established and maintained by the Management, work performed by the internal and external auditors, the assurance from the CEO and Senior Vice President, Finance that the financial records have been properly maintained, that the financial statements give a true and fair view of the REIT's operations and finances, and the assurance from the CEO and Senior Vice President, Finance regarding the adequacy and effectiveness of the Manager's risk management and internal control systems, the Board, with the concurrence of the ARC, is of the view that taking into account the nature, scale and complexity of the Manager's operations, the REIT's financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2020.

In this regard, the Board notes that the system of internal controls and risk management provide a reasonable but not absolute assurance that the REIT will not be severely affected by any event that could be reasonably foreseen. Neither can any system of internal controls and risk management provide absolute assurance against the occurrence of material errors, poor judgment, human error, losses, fraud or other irregularities.

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

ENGAGEMENT WITH SHAREHOLDERS

Principle 11: *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.*

Principle 12: *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.*

Principle 13: *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.*

The Manager is committed to regular, effective and fair communication with Unitholders. It has a dedicated investor relations ("IR") team which regularly communicates with the Unitholders and attends to their queries and concerns.

The Manager's disclosure policy requires the timely and full disclosure of all material information relating to the REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and subsequently, by way of release on the website at <http://www.sabana-reit.com>. The Manager clearly communicates its current policy of distributing at least 90.0% of its distributable income to Unitholders.

The Manager conducts regular briefings for media and analysts which will generally coincide with the release of the REIT's financial results. The IR team utilises its website as a means of providing information to the Unitholders and the broader investment community. News releases, investor presentations and financial results are available on the website immediately after they have been released to the market.

The Manager welcomes active Unitholder participation at the Annual General Meeting ("AGM"). It believes that AGMs serve as an opportune forum for Unitholders to meet the Board and senior management and to communicate their views. Prior to each general meeting, Unitholders are also provided with timely information so as to enable them to participate effectively and vote at such meeting (including through the appointment of proxy(ies) if they are unable to attend such meeting in person).

The Manager has implemented the system of voting by poll at its AGMs or extraordinary general meetings ("EGMs"). Results of each resolution put to vote at the AGM or EGM are processed by independent scrutineers and the results will be announced with details of percentages in favour and against. Separate resolutions are proposed for substantially separate issues at the meetings and after the conclusion of each meeting, the minutes of the AGM or EGM will be made available to Unitholders upon request.

The Chairman of the Board, the respective Chairman of each of the Board Committees, the Management and the external auditors are present to address Unitholders' queries at the AGMs or EGMs.

Notwithstanding the above, amidst the COVID-19 situation, the Manager has complied with the health advisory issued by the relevant authorities to hold the AGM on 11 June 2020 and the EGM on 4 December 2020 via electronic means in consideration of the welfare of Unitholders. The Manager will continue to conduct the upcoming AGM to be held on 27 April 2021 via electronic means in view of the evolving COVID-19 situation.

DEALING IN SECURITIES

The Manager's Code of Best Practices on Securities Transactions encourages Directors and employees to hold Units but forbids them to:

- Trade during the blackout period, which commences one month before the announcement of property valuations, half-yearly or annual results to the public and ending on the day of announcement or other specified date.
- Trade at any time in possession of price sensitive information.
- Communicate price sensitive information to any person as imposed by insider trading laws.
- Trade in Units on short-term considerations.

Directors are also required to disclose their dealings in Units to the Manager within two business days after such acquisition or occurrence. Announcements of such interest notifications will be made via SGXNET.

In addition, the Manager will comply with any relevant disclosure requirements under the SFA. The Manager has also undertaken that it will not deal in the Units during the period commencing one month before the public announcement of the REIT's annual results, half-yearly results and (where applicable) property valuations, and ending on the date of announcement of the relevant results, or the case may be, property valuations.

DEALING WITH CONFLICTS OF INTEREST

The following procedures are established by the Manager to deal with potential conflicts of interest issues:

- The Manager is dedicated to Sabana REIT and will not manage other REITs which invest in similar properties as Sabana REIT.
- All executive officers will be working exclusively for the Manager and will not hold executive positions in other firms;
- All resolutions in writing of the Directors in relation to matters concerning the REIT must be approved by a majority of the Directors who do not hold an interest, including at least two Independent Directors;

- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interest will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Non-Executive Directors and must exclude the nominee Directors of the Sponsor and/or its subsidiaries.
- It is also provided in the Trust Deed that 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 the REIT with a related party of the Manager, the Manager shall be obliged to consult a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee 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 shall 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 the REIT with a related party of the Manager and the Trustee may take any action it deems necessary to protect the rights of Unitholders and/or which is in the interest of 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.

MATERIAL CONTRACTS

There are no material contracts entered into by Sabana REIT or any of its subsidiaries that involve the interests of the CEO, any Director or any controlling Unitholder, except as disclosed in this annual report.

DEALING WITH RELATED PARTIES

The Manager has established procedures to ensure that all Related Party Transactions will be 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. Thus, the interests of the REIT and the Unitholders will not be prejudiced. All Related Party Transactions will be subjected to regular periodic reviews by the ARC:

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding \$100,000 in value but below 3.0% of the value of Sabana REIT's net tangible assets will be subject to review by the ARC at regular intervals;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Sabana REIT's net tangible assets will be subject to review and prior approval of the ARC and immediately announced on SGX-ST. 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;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested person during the same financial year) equal to or exceeding 5.0% of the value of Sabana REIT'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 transactions from independent advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual of the SGX-ST 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; and
- Aggregate value of Related Party Transactions entered into during the financial year under review will be disclosed in the Annual Report.

As a general rule, the Manager must demonstrate to its ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager; or obtaining two or more valuations from independent professional valuers (in accordance with the Property Funds Appendix).

For Related Party Transactions entered into or to be entered into by the Trustee, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and on normal commercial terms, are not prejudicial to the interests of the REIT and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual of the SGX-ST relating to the transaction in question.

Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a Related Party Transaction. If the Trustee is to sign any Related Party Transaction contract, the Trustee will review the contract to ensure that it complies with the requirements relating to Related Party Transactions as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to real estate investment trusts.

The Manager will maintain a register to record and will incorporate into its internal audit plan a review, of all Related Party Transactions which are entered into by the REIT. The ARC shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix have been complied with. The ARC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and/or the Listing Manual of the SGX-ST. The review will include the examination of the nature of the transactions and the supporting documents or such other data deemed necessary by the ARC.

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

DEALING WITH SHARI'AH COMPLIANCE

Shari'ah compliance means adherence to the tenets of Islamic law, which places due consideration upon ethics and social responsibility. The Manager ensures total non-Shari'ah compliant rental income does not exceed 5.0% per annum of the gross revenue of the REIT's portfolio of properties. As part of the due cleansing procedure, donation of non-compliant income is made to charitable causes (without tax benefits) on a quarterly basis. For FY 2020, the non-compliant income came to approximately less than 1.0% of the REIT's gross revenue.

Five Pillars Pte. Ltd. ("Five Pillars"), based in Singapore, was appointed by the Manager to act as the Shari'ah Adviser. Five Pillars serves as a conduit between the Independent Shari'ah Committee ("ISC") and the compliance officer of the Manager, liaising frequently on Shari'ah matters throughout the year.

The ISC comprises eminent scholars and experts. They are:

- Dr Mohamed Ali Elgari (Professor at King Abdulaziz University in Saudi Arabia);
- Professor Dr Obiyathulla Ismath Bacha (Professor at the International Centre for Education in Islamic Finance in Malaysia); and
- Dr Ashraf bin Mohammed Hashim (Associate Professor at International Islamic University Malaysia)

The REIT follows the standards promulgated by the Auditing and Accounting Organisation of the Islamic Financial Institutions and/or the Islamic Financial Services Board. To assess on-going compliance of the REIT, the Shari'ah Adviser, on behalf of and working closely with the ISC:

- Prior to the issuance of the Shari'ah certificate for annual status, an inspection and verification will be conducted on the properties and activities of the REIT. A representative of Five Pillars will visit the individual properties in the portfolio to ensure that businesses on the premises are compliant and agree with the leasing contracts signed. For FY 2020, the REIT successfully passed the inspection.
- For new funding, consent will be obtained on inception. Shari'ah certification and other supporting documents from the issuing or arranger bank will be vetted and approved by the ISC. For FY 2020, the REIT is Shari'ah compliant because non-Shari'ah compliant financing of the REIT has not exceeded a third of the net asset value of its portfolio.

On completion of the annual audit, the ISC will sign off and issue the certificate which will be delivered by the Shari'ah Adviser to the Manager. The REIT has successfully renewed its annual Shari'ah certificate, valid till 31 December 2021. The certificate is displayed on the REIT's website www.sabana-reit.com. The total amount of fees incurred for Shari'ah advisory services for FY 2020 is approximately \$90,000.

Under Shari'ah principles, provisions are made for remedial actions. In the event of a breach or deviation, the Manager must disclose as soon as practicable to the Shari'ah Adviser and the ISC the necessary details and supporting documents. Rectification as advised is applied to the particular activity within an agreed time frame before any distributions are made to Unitholders.

FEES PAYABLE TO THE MANAGER

The Manager is entitled under Clauses 15.1 and 15.2 of the Trust Deed to the following fees:

Fees payable by the REIT	Amount payable
<p>1 Management fee (payable to the Manager or its nominee)</p>	<p>Base Fee A fee not exceeding the rate of 0.5% per annum of the value of the Deposited Property.</p> <p>Performance Fee 0.5% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Net Property Income of Sabana REIT or its relevant Special Purpose Vehicles (“SPVs”) in each financial year, payable on a yearly basis, provided Sabana REIT achieves at least 10.0% annual growth in Distribution per Unit (“DPU”) over the previous financial year (calculated after accounting for the performance fee (if any) for that financial year and after adjusting, at the discretion of the Manager, for any new Units arising from the conversion or exercise of any instruments convertible into Units which are outstanding at the time of calculation, and any rights or bonus issue, consolidation, subdivision or buy-back of Units).</p> <p>The Manager may elect to receive the Base Fee and Performance Fee in cash or Units or a combination of cash and Units (as it may in its sole discretion determine).</p> <p>The Manager received 100.0% of the Base Fee in cash for FY 2020.</p>
<p>2 Fee for acquisition of properties (payable to the Manager or its nominee)¹⁵</p>	<p>Acquisition Fee 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price of real estate of real estate-related assets acquired:</p> <ul style="list-style-type: none"> • in relation to an acquisition (whether directly or indirectly through one or more SPVs of any real estate, the acquisition price of any real estate purchased by the REIT, plus any other payments¹⁶ in addition to the acquisition price made by the REIT or its SPVs to the vendor in connection with the purchase of the real estate (pro-rated if applicable to the proportion of the REIT’s interest); • in relation to an acquisition (whether directly or indirectly through one or more SPVs of the REIT) of any SPVs or holding entities which holds real estate, the underlying value of any real estate which is taken into account when computing the acquisition price payable for the acquisition from the vendor of the equity interests of any vehicle holding directly or indirectly the real estate purchased by the REIT, plus any additional payments made by the REIT or its SPVs to the vendor in connection with the purchase of such equity interests) (pro-rated if applicable to the proportion of the REIT’s interest); or • the acquisition price of any investment by the REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPV owning or acquiring real estate.

¹⁵ Acquisition fees are paid in cash. Whereby properties are acquired from interested parties, acquisition fees will be paid in units issued by Sabana REIT at the prevailing market price and will be held for one year from the date of issuance.

¹⁶ “Other payments” refers to additional payments to the vendor of the asset, for example, where the vendor has already made certain payments for enhancements to the asset, and the value of the asset enhancements is not reflected in the acquisition price as the asset enhancements are not completed, but “other payments” do not include stamp duty or other payments to third-party agents and brokers.

3	Fee for divestment of properties (payable to the Manager or its nominee) ¹⁷	<p>Divestment Fee</p> <p>0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of each of the following as is applicable (subject to there being no double-counting):</p> <ul style="list-style-type: none"> • the sale price of any real estate sold or divested, whether directly or indirectly through one or more SPVs, by the REIT (plus any other payments¹⁸ in addition to the sale price received by the REIT or its SPVs from the purchaser in connection with the sale or divestment of the real estate) (pro rated if applicable to the proportion of the REIT's interest); • the underlying value of any real estate related assets which is taken into account when computing the sale price for such real estate-related assets, sold or divested, whether directly or indirectly through one or more SPVs, by the REIT (pro rated if applicable to the proportion of the REIT's interest); or • the sale price of any investment by the REIT, whether directly or indirectly through one or more SPVs, in any debt securities of any property corporation or other SPVs owning or acquiring real estate.
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The Manager is responsible for managing the assets and liabilities of the REIT for the benefit of its Unitholders. Accordingly, the Manager should be compensated fairly for its efforts in the overall management of the REIT's various affairs. The Base Fee payable to the Manager has been assessed by the Board and the Board believes that the Base Fee is reasonable and in-line with market rates.

No Performance Fees were payable for FY 2020. The Board would like to inform Unitholders that Performance Fees are only payable when the Manager has achieved a certain level of growth in DPU over the previous financial year. Accordingly, the Board is of the view that the Performance Fee will incentivise the Manager to seek growth opportunities and encourage the Manager to act in the interests of Unitholders to enhance the DPU. An increase of the DPU by 10.0% year-on-year is challenging and the Performance Fee will incentivise the Manager to take a holistic and balanced approach towards assuming sensible risks to grow the REIT over the long-term. In addition, the Performance Fee payable to the Manager has been assessed by the Board and the Board believes that the REIT's Performance Fee is reasonable and in-line with market practices.

The Acquisition Fee and Divestment Fee are necessary to incentivise the Manager to source for inorganic growth and to realise mature assets that no longer suit the portfolio. The Manager has to undertake additional scope of work over and above the overall management of the REIT when undertaking acquisition or divestment opportunities and should be compensated fairly to reflect the effort expended and the costs incurred in such transactions. Accordingly, the Board has considered and is of the view that the Acquisition Fee and Divestment Fee are reasonable and in-line with market rates to ensure that the Manager acts in the interests of the REIT and Unitholders.

¹⁷ Divestment fees are paid in cash. Whereby properties are sold to interested parties, divestment fees will be paid in units issued by Sabana REIT at the prevailing market price and will be held for one year from the date of issuance.

¹⁸ "Other payments" refers to additional payments to the REIT or its SPVs for the sale of the asset, for example, where the REIT or its SPVs have already made certain payments for enhancements to the asset, and the value of the asset enhancements is not reflected in the sale price as the asset enhancements are not completed, but do not include stamp duty or other payments to third-party agents and brokers.

The Property Manager, as a wholly-owned subsidiary of the Manager, is entitled under the Master Property Management Agreement to the following fees:

Payable by the REIT	Amount payable
1 Property management fee (payable to the Property Manager)	Property Management Fee 2.0% per annum of gross revenue of each property under the management of the Property Manager.
2 Lease management fee (payable to the Property Manager)	Lease Management Fee 1.0% per annum of gross revenue of each property under the management of the Property Manager.

The Property Manager provides property management services to the REIT. In return for its services, the Property Manager should be compensated fairly for its efforts. The fees payable to the Property Manager has been assessed by the Board. The Board believes that the fees payable to the Property Manager are reasonable and in-line with market rates. In addition, the Property Management Fee and the Lease Management Fee have been structured so that the Property Manager is incentivised to improve the performance of the properties.