

## STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF ASCOTT BUSINESS TRUST (ASCOTT BT)

The Board of Directors of Ascott Business Trust Management Pte. Ltd., as trustee-manager of Ascott BT (Trustee-Manager) (Trustee-Manager Board) is responsible for safeguarding the interests of the unitholders of Ascott BT (Ascott BT Unitholders) as a whole and managing the business of Ascott BT. The Trustee-Manager has general power of management over the business and assets of Ascott BT and its main responsibility is to manage Ascott BT's assets and liabilities for the benefit of the Ascott BT Unitholders as a whole. In the event of a conflict between the interests of the Ascott BT Unitholders as a whole and its own interests, the Trustee-Manager will give priority to the interests of the Ascott BT Unitholders as a whole over its own interests.

It should be noted that the Trustee-Manager was only incorporated on 2 August 2019 and Ascott BT only became a registered business trust on 30 December 2019. Accordingly, references to actions taken by the Trustee-Manager should be read taking this into account.

The Trustee-Manager Board is also obliged to exercise due care to comply with the relevant provisions of all applicable legislations and regulations, the listing manual of Singapore Exchange Securities Trading Limited (the Listing Manual), the trust deed constituting Ascott BT dated 9 September 2019 (as amended) (Ascott BT Trust Deed), the stapling deed dated 9 September 2019 (Stapling Deed) and all relevant contracts entered into by Ascott BT.

The Trustee-Manager, in exercising its powers and carrying out its duties as trustee-manager of the Ascott BT, is required to, and will:

- > treat the Ascott BT Unitholders who hold units of Ascott BT (Ascott BT Units) in the same class fairly and equally and Ascott BT Unitholders who hold Ascott BT Units in different classes (if any) fairly;
- > ensure that all payments out of the trust property of Ascott BT (Ascott BT Trust Property) are made in accordance with the Business Trusts Act (BTA), the Ascott BT Trust Deed and the Stapling Deed;
- > report to Monetary Authority of Singapore (MAS) any contravention of the BTA or Business Trusts Regulations 2005 (BTR) by any other person that:
  - relates to Ascott BT; and
  - has had, has or is likely to have, a material adverse effect on the interests of all the Ascott BT Unitholders, or any class of Ascott BT Unitholders, as a whole

as soon as practicable after the Trustee-Manager becomes aware of the contravention;

- > ensure that the Ascott BT Trust Property is properly accounted for; and
- > ensure that the Ascott BT Trust Property is kept distinct from the property of the Trustee-Manager held in its own capacity.

In addition, the Trustee-Manager will:

- > at all times act honestly and exercise reasonable diligence in the discharge of its duties as the trustee-manager of the Ascott BT in accordance with the BTA, the Ascott BT Trust Deed and the Stapling Deed;
- > act in the best interests of all the Ascott BT Unitholders as a whole and give priority to the interests of all Ascott BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all Ascott BT Unitholders as a whole and its own interests;
- > not make improper use of any information acquired by virtue of its position as the Trustee-Manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the Ascott BT Unitholders;

- > hold the Ascott BT Trust Property on trust for all Ascott BT Unitholders as a whole in accordance with the terms of the Ascott BT Trust Deed;
- > adhere with the business scope of Ascott BT as set out in the Ascott BT Trust Deed;
- > review interested person transactions in relation to Ascott BT;
- > review expense and cost allocations payable to the Trustee-Manager in its capacity as trustee-manager of Ascott BT out of the Ascott BT Trust Property and ensure that fees and expenses charged to Ascott BT are appropriate and in accordance with the Ascott BT Trust Deed; and
- > comply with the BTA and the Listing Manual.

The MAS has also granted the Trustee-Manager an exemption from compliance with Section 10(2)(a) of the BTA and the directors of the Trustee-Manager (the Trustee-Manager Directors) from compliance with Section 11(1)(a) of the BTA subject to the condition that for the duration of the time that the Ascott BT Units are stapled to the units of Ascott Reit, the Trustee-Manager and Trustee-Manager Directors shall act in the best interests of all the holders of the stapled securities of Ascott Residence Trust (ART).

The Trustee-Manager Board, in exercising its power and carrying out its duties as trustee-manager of Ascott BT, has put in place measures to ensure that:

- > the Ascott BT Trust Property is properly accounted for and is kept distinct from the property held by the Trustee-Manager in its own capacity;
- > the business scope of Ascott BT as set out in the Ascott BT Trust Deed has been adhered to;
- > potential conflicts between the interests of the Trustee-Manager and the interests of the Ascott BT Unitholders as a whole are appropriately managed;
- > interested person transactions are transparent, properly recorded and disclosed;
- > expenses and cost allocations payable to the Trustee-Manager out of the Ascott BT Trust Property, and the fees and expenses charged to Ascott BT are appropriate and are made in accordance with the Ascott BT Trust Deed; and
- > the BTA and the Listing Manual have been complied with.

The Trustee-Manager has also adopted a set of corporate governance practices as set out on pages 99 to 131 of this Annual Report.

#### **ASCOTT BT TRUST PROPERTY PROPERLY ACCOUNTED FOR**

To ensure that the Ascott BT Trust Property is properly accounted for and is kept distinct from the property held by the Trustee-Manager in its own capacity, the accounting records of Ascott BT are kept separate and distinct from the accounting records of the Trustee-Manager. Different bank accounts are maintained for the Trustee-Manager in its capacity as trustee-manager of Ascott BT and in its own capacity. Regular internal reviews are also carried out to ascertain that all Ascott BT Trust Property has been fully accounted for.

Each of the financial statements of Ascott BT and Trustee-Manager are approved by the Trustee-Manager Directors on a semi-annual basis. Each of the financial statements of Ascott BT and Trustee-Manager are also kept separate and distinct and are duly audited by external auditors on an annual basis to ensure that the Ascott BT Trust Property is properly accounted for and the Ascott BT Trust Property is kept distinct from the property of the Trustee-Manager held in its own capacity.

# STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF ASCOTT BUSINESS TRUST (ASCOTT BT)

## ADHERENCE TO BUSINESS SCOPE

The Trustee-Manager Board reviews and approves all authorised businesses undertaken by Ascott BT so as to ensure its adherence to the business scope under the Ascott BT Trust Deed. Such authorised businesses include:

- (i) the management or operation of hospitality assets;
- (ii) the acquisition, disposition and ownership of Authorised Investments (as defined in the Ascott BT Trust Deed) and all activities, concerns, functions and matters reasonably incidental thereto;
- (iii) ownership of subsidiaries which are engaged in the acquisition, disposition and ownership of Authorised Investments and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iv) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (ii) and (iii) of this definition, including (without limitation) the management, and/or leasing of the Authorised Investments.

Management provides regular updates to the Trustee-Manager Board and the Audit Committee about potential projects that it is looking into on behalf of Ascott BT and the Trustee-Manager Board, and the Audit Committee ensure that all such projects are within the permitted business scope under the Ascott BT Trust Deed. Prior to the carrying out of any significant business transactions, the Trustee-Manager Board, the Audit Committee and or management will have careful regard to the provisions of the Ascott BT Trust Deed and when in doubt, will seek advice from professional advisers.

## POTENTIAL CONFLICTS OF INTEREST

The Trustee-Manager is not involved in any other businesses other than managing Ascott BT. All potential conflicts of interest, as and when they arise, will be identified by the Trustee-Manager Board and management, and will be reviewed accordingly.

The Trustee-Manager is a wholly-owned subsidiary of CapitaLand Limited (CapitaLand). CapitaLand is the parent company of The Ascott Limited. The Ascott Limited, in turn, is the sponsor of ART (Sponsor). Therefore, there may be potential conflicts of interest between Ascott BT, the Trustee-Manager and ART.

The Trustee-Manager has instituted, among others, the following procedures to deal with issues of conflicts of interest:

- > The Trustee-Manager Board comprises four independent directors who do not have management or business relationships with the Trustee-Manager and are independent from the substantial shareholders of the Trustee-Manager. The independent directors form the majority of the Trustee-Manager Board. This allows the Trustee-Manager Board to examine independently and objectively, any potential issue of conflicts of interest arising between the Trustee-Manager in its own capacity and the Ascott BT Unitholders as a whole.
- > In respect of matters in which the Sponsor and/or its subsidiaries has an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Trustee-Manager Board to represent its/their interests will abstain from voting. In such matters, the quorum shall comprise a majority of the independent Trustee-Manager Directors and shall exclude nominee directors of the Sponsor and/ or its subsidiaries.
- > In respect of matters in which a Trustee-Manager Director or his Associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director shall abstain from voting. In such matters, the quorum must comprise a majority of the Trustee-Manager Directors and must exclude such interested director.

- > Where matters concerning Ascott BT relate to transactions to be entered into by the Trustee-Manager for and on behalf of Ascott BT with an interested person of the Trustee-Manager or Ascott BT (which would include relevant associates thereof), the Audit Committee is required to consider the terms of such transactions (except transactions under agreements which are deemed to have been specifically approved by Ascott BT Unitholders upon purchase of Ascott BT Units) to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Ascott BT and the Stapled Securityholders, and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transactions in question. If the Trustee-Manager is to sign any contract with an interested person of the Trustee-Manager or Ascott BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to interested person transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed to apply to business trusts.

## **PRESENT AND ONGOING INTERESTED PERSON TRANSACTIONS**

### **(i) Exempted Agreements**

The fees and charges payable by Ascott BT to the Trustee-Manager under the Ascott BT Trust Deed are considered interested person transactions which are deemed to have been specifically approved by the Ascott BT Unitholders upon their purchase of the Ascott BT Units, to the extent that there are no subsequent changes to the rates and/or bases of the fees charged thereunder which will adversely affect Ascott BT.

### **(ii) Future Interested Person Transactions**

Depending on the materiality of the transaction, Ascott BT may make a public announcement of or obtain prior approval of the Ascott BT Unitholders for such a transaction. If necessary, the Trustee-Manager Board may make a written statement in accordance with the resolution of the Trustee-Manager Board and signed by at least two Trustee-Manager Directors on behalf of the Trustee-Manager Board certifying that, inter alia, such interested person transaction is not detrimental to the interests of the Ascott BT Unitholders as a whole, based on the circumstances at the time of the transaction.

The Trustee-Manager may, in future, seek an annual general mandate from the Ascott BT Unitholders for recurrent transactions of revenue or trading nature or those necessary for the day-to-day operations with interested persons, and all transactions would then be conducted under such a general mandate for that relevant financial year. In seeking such an annual general mandate, the Trustee-Manager may appoint an independent financial adviser to render an opinion as to whether the methods or procedures for determining the transaction prices contemplated under the annual general mandate are sufficient, in an effort to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of Ascott BT and the Ascott BT Unitholders.

The Trustee-Manager has in place an internal control system as well as policies and procedures to ensure that all future interested person transactions will be undertaken on an arm's length basis, on normal commercial terms, will not be prejudicial to the interests of Ascott BT and the minority Ascott BT Unitholders, and will be in accordance with all applicable requirements of the BTA, the Listing Manual and all applicable guidelines as may from time to time be prescribed to apply to business trusts relating to the transaction in question.

Management identifies interested person transactions in relation to Ascott BT. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by Ascott BT. The Trustee-Manager incorporates into its plan a review of all interested person transactions entered into by Ascott BT during the financial year. The Audit Committee reviews at least quarterly in each financial year the interested person transactions entered into during such quarterly period to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. The review includes the examination of the nature of the transactions and their supporting documents or such other data that the Audit Committee deems necessary. If a member of the Audit Committee has an interest in a transaction, he or she will abstain from participating in the review and approval process in relation to that transaction.

## STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF ASCOTT BUSINESS TRUST (ASCOTT BT)

In addition, all such interested person transactions conducted and any contracts entered into by the Trustee-Manager on behalf of Ascott BT with an interested person of the Trustee-Manager or Ascott BT, shall comply with and be in accordance with all applicable requirements of the Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.

In particular, when Ascott BT acquires assets from the Sponsor or parties related to the Sponsor in future, the Trustee-Manager will obtain valuations from independent parties. In any event, interested person transactions entered into by Ascott BT, depending on the materiality of such transactions, may be publicly announced or, as the case may be, approved by Ascott BT Unitholders, and will, in addition, be:

- > reviewed and recommended by the Audit Committee of the Trustee-Manager, which comprises only independent directors; and
- > decided by the Trustee-Manager Board, of which more than half of the directors are independent directors.

### **FEES AND EXPENSES CHARGED TO ASCOTT BT ARE APPROPRIATE AND IN ACCORDANCE WITH THE ASCOTT BT TRUST DEED**

The Trustee-Manager is entitled under the Ascott BT Trust Deed to a management fee comprising a base fee of up to a maximum of 0.3% per annum of the property values (being the aggregate value of the real estate held by Ascott BT) and base performance fee of 4.0% per annum of Ascott BT and its subsidiaries (the Ascott BT Group)'s share of gross profit for each financial year. In the event that the Ascott BT Group's share of gross profit increases by more than 6.0% annually, the Trustee-Manager is entitled to an outperformance fee of 1.0% of the difference between the Ascott BT Group's share of that financial year's gross profit and 106% of the preceding year's gross profit.

The management fee is payable to the Trustee-Manager in the form of cash and/or Stapled Securities or (as the case may be) Ascott BT Units as the Trustee-Manager may elect, and in such proportion and for such period as may be determined by the Trustee-Manager.

Under the Ascott BT Trust Deed, the Trustee-Manager is entitled to a trustee fee not exceeding 0.015% per annum of the value of the assets for the time being held or deemed to be held upon trust, subject to a minimum of S\$13,500 per month, excluding out-of-pocket expenses and goods and services tax which is borne by Ascott BT. The trustee fee is payable to the Trustee-Manager in arrears on a monthly basis.

The Trustee-Manager is also entitled to receive an acquisition fee at the rate of up to a maximum of 1.0% of the Enterprise Value (as defined in the Ascott BT Trust Deed) of any real estate-related asset acquired directly or indirectly by Ascott BT, prorated if applicable to the proportion of Ascott BT's interest.

The acquisition fee is payable to the Trustee-Manager in the form of cash but in the event that the Trustee-Manager receives any acquisition fee in connection with an acquisition from a related party, such acquisition fee shall be payable in the form of Stapled Securities or (as the case may be) Ascott BT Units.

The Trustee-Manager is also entitled to a divestment fee at the rate of 0.5% of the Enterprise Value of any real estate or real estate-related asset disposed directly or indirectly by Ascott BT, prorated if applicable to the proportion of Ascott BT's interest.

Any increase in the rate or any change in structure of the Trustee-Manager's management fee, trustee fee, the acquisition fee or the divestment fee, must be approved by an extraordinary resolution passed at a meeting of Ascott BT Unitholders duly convened and held in accordance with the provisions of the Ascott BT Trust Deed.

The table below sets out the fees earned by the Trustee-Manager for the financial period ended 31 December 2019.

Fee	Amount (S\$)	% in Cash	% in Units
Management Fee	8,341	50	50
Trustee Fee	435	100	–

For the financial period ended 31 December 2019, the Trustee-Manager will receive 100% of trustee fee in cash while the management fee is in the form of 50% cash and 50% Stapled Securities. No expenses were paid to the Trustee-Manager during the financial period ended 31 December 2019 and any out-of-pocket expenses incurred were funded by BT's working capital.

The Trustee-Manager Board will meet every quarter to review the material expenses, cost allocations and fees charged to Ascott BT and to ensure that the fees and expenses payable to the Trustee-Manager out of the Ascott BT Trust Property are appropriate and in accordance with the Ascott BT Trust Deed.

### COMPLIANCE WITH THE BUSINESS TRUSTS ACT AND LISTING MANUAL

The Company Secretaries and Compliance Officer monitor Ascott BT's compliance with the BTA and the Listing Manual. The Trustee-Manager has an internal compliance manual which serves to summarise all the applicable rules and regulations as well as key internal policies and processes which Ascott BT needs to comply with. The manual will be consistently updated whenever there are changes to the rules and regulations and such policies and processes, and this will help management to ensure that applicable rules and regulations are being complied with.

The Trustee-Manager will also engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual.

### COMPLIANCE OF THE TRUSTEE-MANAGER BOARD

Under regulation 12(1) of the BTR, the Trustee-Manager Board is required to comprise:

- > at least a majority of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager;
- > at least one-third of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager; and
- > at least a majority of Trustee-Manager Directors who are independent from any single substantial shareholder of the Trustee-Manager.

The Trustee-Manager Board consists of seven directors, four of whom are independent directors for the purposes of the BTR. In accordance with Rule 12(8) of the BTR, the Trustee-Manager Board and the board of Ascott Residence Trust Management Limited (Reit Manager) (Reit Manager Board) has determined that the following Directors are independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager:

Tan Beng Hai, Bob;  
Zulkifli Bin Baharudin;  
Sim Juat Quee Michael Gabriel; and  
Elaine Carole Young.

Ms Beh Siew Kim, Mr Lee Chee Koon and Mr Lim Cho Pin Andrew Geoffrey are considered non-independent Directors. Ms Beh is the CEO of the Managers, Mr Lee and Mr Lim are employees of CapitaLand group.

## **STATEMENT OF POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF ASCOTT BUSINESS TRUST (ASCOTT BT)**

None of the Trustee-Manager Directors would, by definition under the BTR, be independent from a substantial shareholder. The Trustee-Manager is a related corporation of the Reit Manager as both the Trustee-Manager and the Reit Manager are directly held by CapitaLand and as Ascott BT and Ascott Reit are stapled, the directors of the Managers are identical to avoid any differences or deadlock in the operation of the stapled group. As a result, all four independent directors of the Reit Manager, namely Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin, Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young will prima facie be deemed to be connected to a substantial shareholder of the Reit Manager and hence not independent pursuant to Regulations 12(1)(a) and 12(1)(b) of the BTR.

The MAS has granted an exemption to the Trustee-Manager from compliance with Regulations 12(1)(a) and 12(1)(b) of the BTR to the extent that non-compliance with these regulations is due to any Trustee-Manager Director being considered to be not independent from management and business relationships with the Trustee-Manager or from every substantial shareholder of the Trustee-Manager solely by virtue of such Trustee-Manager Director also being a director of the Reit Manager. For the avoidance of doubt, a Trustee-Manager Director shall not be considered independent from a substantial shareholder if he is also a director of a subsidiary or an associated company of the substantial shareholder (where the subsidiary or associated company is not the Trustee-Manager or the Reit Manager).