

## CORPORATE GOVERNANCE

### Introduction

NetLink NBN Trust (also referred to as the “**Trust**”) is a trust constituted on 19 June 2017 by a declaration of trust by NetLink NBN Management Pte. Ltd., as trustee-manager of NetLink NBN Trust (the “**Trustee-Manager**”), under the trust deed dated 19 June 2017 (as amended and restated by the First Amending and Restating Deed dated 25 July 2018) (collectively, the “**Trust Deed**”). NetLink NBN Trust is registered as a business trust under the Business Trusts Act, Chapter 31A of Singapore, and was listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 19 July 2017.

The Trustee-Manager is incorporated in Singapore, and the management of NetLink NBN Trust is undertaken by the Trustee-Manager, the shares of which are held on trust for the benefit of the unitholders of NetLink NBN Trust (the “**Unitholders**”) in proportion to such Unitholders’ respective percentage of units held or owned in NetLink NBN Trust (the “**Units**”).

### Code of Corporate Governance

Rule 710 of the listing rules of SGX-ST (the “**Listing Rules**”) was amended on 1 January 2019 to provide that an issuer must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the Code of Corporate Governance 2018 (the “**2018 Code**”):

- (a) an issuer must comply with the principles of the 2018 Code; and
- (b) where an issuer's practices vary from any provisions of the 2018 Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle (the “**Amended Rule 710**”).

The Transitional Practice Note 3: Transitional Arrangements Regarding Code of Corporate Governance 2018 issued by the SGX-ST on 28 November 2018 (“**Transitional Practice Note**”) clarifies that the Amended Rule 710 only applies in relation to annual reports covering the financial years commencing from 1 January 2019, but an issuer may elect to adopt the Amended Rule 710 early.

The board of directors and management team of the Trustee-Manager are fully committed to maintaining high standards of corporate governance, and firmly believe that good corporate governance is essential to protecting the best interests of Unitholders and maintaining the sustainability of the business of NetLink NBN Trust and its subsidiaries (referred to collectively as “**NetLink Group**”). Hence, in accordance with the Transitional Practice Note, the Trustee-Manager has elected to adopt the Amended Rule 710 in advance and enhanced its corporate governance policies and practices to align with the 2018 Code and has described its corporate governance practices with specific references to the principles and provisions of the 2018 Code, and not the Code of Corporate Governance 2012.

The Trustee-Manager has complied with the principles of the 2018 Code and largely complied with the provisions of the 2018 Code, and where there is a variation from any provisions of the 2018 Code, appropriate explanations have been provided on the reason for such variations and how the existing practices adopted are consistent with the intent, aim and philosophy of the relevant principles of the 2018 Code. The Trustee-Manager also ensures that all applicable laws, rules and regulations including the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), the Listing Rules, and the Business Trusts Act, Chapter 31A of Singapore (the “**BTA**”), including the relevant regulations thereunder, are duly complied with.

This report describes the Trustee-Manager’s main corporate governance policies and practices with specific reference to the 2018 Code, and should be read in totality with the other sections of this Annual Report which are cross-referred.

## SECTION (A): 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.**

#### Provision 1.1:

**Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.**

The board of directors of the Trustee-Manager (the "**Board**") is responsible for the overall management and the corporate governance of NetLink NBN Trust – including setting the direction and goals for the Trustee-Manager's management team (the "**Management**"), monitoring the achievement of these goals and holding Management accountable for its performance. The Board seeks to align the interests of NetLink NBN Trust with that of Unitholders, and to balance the interests of other stakeholders.

The Board is collectively responsible for the long-term success of NetLink NBN Trust and its value creation, and exercises close oversight over key areas in corporate governance, strategy, finance, risk management and internal controls, and human resources. For example, the NetLink Group has in place an employee's Code of Conduct which sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity and has also launched a Supplier's Code of Conduct which sets out the minimum standards that the NetLink Group's suppliers ("**Suppliers**") need to comply with. Amongst others, Suppliers are expected to act ethically and comply with all relevant laws and regulations in their business operations. More details on the Board's oversight of these matters, as well as the codes of conduct and policies that the Board has put in place are set out under "Accountability and Audit" on pages 56 to 64.

The Board provides a balanced and understandable assessment of the NetLink Group's performance, position and prospects to Unitholders in a timely manner, through publication of its quarterly and full-year financial results, and via announcements on NetLink NBN Trust's website and SGXNET.

All directors of the Trustee-Manager ("**Directors**") act honestly and exercise reasonable diligence in the discharge of the duties of his or her office and, in particular, will take all reasonable steps to ensure that the Trustee-Manager discharges its duties under the BTA, and gives priority to the interests of all Unitholders as a whole over the interests of the Trustee-Manager in the event of a conflict between the interests of all Unitholders as a whole and the interests of the Trustee-Manager.

All Directors are required to disclose their business interests and any potential or actual conflicts of interest that they are aware of, or as soon as such conflicts become apparent. In any situation that involves a conflict of interest with NetLink NBN Trust, Directors recuse themselves from participating in any discussion and decision on the matter.

## CORPORATE GOVERNANCE

### **Provision 1.2:**

**Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense<sup>1</sup>. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.**

NetLink Group has established appropriate internal policies to ensure compliance with legislative and regulatory requirements, including requirements under the BTA and the Listing Rules.

A formal letter of appointment explaining their duties and obligations as Director is provided to every new Director upon appointment. The formal letter of appointment sets out the time commitment required of the Director and the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

Newly-appointed Directors undergo a comprehensive orientation programme which includes site visits to the NetLink Group's central offices and co-location rooms to better apprise them of the NetLink Group's business. First-time Directors who do not have prior experience as a director of a Singapore listed company are also provided with a comprehensive briefing on the roles, duties and obligations of directors and will undergo training in the roles and responsibilities of a director of a listed issuer as prescribed under the Listing Rules.

Ms Ku Xian Hong who was appointed on 1 October 2018 had no prior experience as a director of a listed company. However, Ms Ku has been a key member in the design and development of the Directors' Compliance Program and serves on the editorial committee of the series of Corporate Governance Guides published by the Singapore Institute of Directors ("SID"). Furthermore, prior to her appointment, Ms Ku had attended the courses/seminars conducted by SID, namely the Listed Company Director Programme (now known as Listed Entity Director Programme); the Effective Board Leadership Programme; the Launch of all Corporate Governance Guides; and the SID Directors' Conference 2015, 2016, 2017 and 2018.

Directors are also regularly updated on changes to applicable laws and regulations (e.g. regulatory developments), and changes in accounting standards, either during Board meetings or via electronic mail.

Under the direction of the Chairman and the Chief Executive Officer ("CEO"), the Company Secretaries facilitate good information flow between the Board and Management. The Company Secretaries assist Directors in ensuring compliance with their obligations under the relevant rules and regulations, and in the Directors' professional development. During the financial year ended 31 March 2019 ("FY2019"), the following briefings were conducted for Directors:

- Code of Corporate Governance 2018 by Allen & Gledhill LLP; and
- Internet of Things (IoT) and 5G by industry experts.

The Company Secretaries also inform Directors of relevant upcoming conferences and seminars (e.g. training programmes conducted by the SID). The expenses of such events attended by the Directors are borne by the Trustee-Manager.

### **Provision 1.3:**

**The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.**

The Board Charter sets out, inter alia, matters that require the Board's approval viz:

- (a) major funding proposals, investments, acquisitions, and divestments including commitments in terms of capital and other resources;
- (b) annual budgets and financial plans;
- (c) annual and quarterly financial reports;

<sup>1</sup> Rule 210(5)(a) of the Listing Rules requires any director who has had no prior experience as a director of a listed company to undergo training in the roles and responsibilities of a listed company director.

- (d) internal controls and risk management strategies, and execution; and
- (e) appointment of Directors, CEO, Chief Financial Officer (“**CFO**”), and Chief Operating Officer (“**COO**”), including review of their performance and remuneration packages.

As a general rule, the Board reviews and approves transactions that require disclosure by NetLink NBN Trust pursuant to the Listing Rules. The policy guidelines on Delegation of Authority on Expenditure and Revenue (“**DOA Policy**”) also set out the financial limits that require the Board’s approval. In its DOA Policy, the Trustee-Manager has adopted a set of internal guidelines which set out the financial authority limits for expenditure, asset disposals and write-off, revenue, and treasury transactions that require the approval of the Board. Appropriate delegations of authority and approval sub-limits are also established at the Management level to facilitate operational efficiency.

**Provision 1.4:**

***Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board’s authority to make decisions, and a summary of each committee’s activities, are disclosed in the company’s annual report.***

Since the constitution of NetLink NBN Trust, the following Board committees have been set up with clear terms of reference to assist the Board in the discharge of its responsibilities:

- Audit Committee (“**AC**”)
- Risk and Regulatory Committee (“**RRC**”)
- Nominating and Remuneration Committee (“**NRC**”)

On 13 February 2019 the NRC was restructured into the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”), and the duties formerly undertaken by the NRC are now undertaken by the NC and the RC respectively. The reorganisation of the NRC into the NC and the RC further strengthens the NetLink Group’s corporate governance structure.

Information on the AC, RRC, NC and RC (collectively, the “**Board Committees**”) and their respective terms of reference can be found in the subsequent sections of this report.

**Provision 1.5:**

***Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director’s attendances at such meetings are disclosed in the company’s annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.***

The schedule of all Board and Board Committee meetings, and the Annual General Meeting (“**AGM**”) is planned one calendar year in advance, in consultation with the Directors. The Board meets at least four times a year and convenes at other times as warranted by particular circumstances to discuss and review the NetLink Group’s key activities. Matters on which the Board is consulted include business strategies and policies for the NetLink Group, its annual budget, the performance of the business and the financial affairs of the NetLink Group. The Board also reviews and approves the release of the quarterly and full-year financial results.

The Trustee-Manager’s Constitution provides for Board meetings to be held via telephone or video conference.

To ensure that each Director is able to give sufficient time and attention to the NetLink Group’s affairs, the Trustee-Manager has in place a Policy on Multiple Directorships. As a general rule, each Director may hold a maximum of five directorships in listed companies. Where a Director holds directorships in more than one listed company within the same group of companies by virtue of his or her employment, such directorships may be considered as a single directorship.

## CORPORATE GOVERNANCE

A record of the Directors' attendance at the AGM, Board and Board Committee meetings for FY2019 is set out in the table below.

Name	AGM		Board		Audit Committee		Risk and Regulatory Committee		Nominating and Remuneration Committee <sup>5</sup>		Nominating Committee <sup>5</sup>		Remuneration Committee <sup>5</sup>		Board Strategy Retreat	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chaly Mah Chee Kheong	1	1	4	4	-	-	4	4	4	4	-	-	-	-	1	1
Koh Kah Sek	1	1	4	4	4	4	-	-	-	-	-	-	-	-	1	1
Eric Ang Teik Lim <sup>1</sup>	1	1	4	4	4	4	2	2	2	2	-	-	-	-	1	1
Irving Tan Tiang Yew <sup>2</sup>	1	1	2	2	-	-	-	-	2	2	-	-	-	-	1	-
Ku Xian Hong <sup>3</sup>	-	-	2	2	-	-	2	2	-	-	-	-	-	-	-	-
Yeo Wico	1	1	4	4	4	4	-	-	-	-	-	-	-	-	1	1
Arthur Lang Tao Yih	1	1	4	3	-	-	-	-	4	4	-	-	-	-	1	1
Slattery Sean Patrick	1	1	4	4	-	-	4	4	-	-	-	-	-	-	1	1
Tong Yew Heng <sup>4</sup>	1	1	4	4	4	4	4	4	4	4	-	-	-	-	1	1

Note:

- 1 Mr Eric Ang Teik Lim stepped down from the Risk and Regulatory Committee ("RRC") and joined the Nominating and Remuneration Committee ("NRC") on 1 October 2018. Mr Eric Ang Teik Lim attended both the RRC meetings held before he stepped down from the RRC as well as both the NRC meetings held in FY2019 since his appointment on the NRC.
- 2 Mr Irving Tan Tiang Yew stepped down from the Board and the NRC on 1 October 2018 and attended both Board meetings and the NRC meetings held before he stepped down.
- 3 Ms Ku Xian Hong joined the Board and the RRC on 1 October 2018 and attended both Board meetings and the RRC meetings held in FY2019 since her appointment.
- 4 Mr Tong Yew Heng is not a member of the Board Committees but attends the meetings in his capacity as CEO.
- 5 Four NRC meetings were held in FY2019 before the NRC was restructured into the Nominating Committee ("NC") and the Remuneration Committee ("RC") on 13 February 2019. No NC or RC meeting was held in FY2019.

**Provision 1.6:**

**Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.**

Management provides the Board with relevant, complete, adequate and accurate information in a timely manner relating to matters to be brought before the Board, prior to Board meetings and on an on-going basis. Management has in place a procedure for papers to be circulated to the Board or to be submitted at Board meetings. Board papers adhere to a standard format which includes background information, issues for deliberation, and risk mitigation measures.

To give Directors sufficient time to prepare for Board and Board Committee meetings, the agenda, papers and presentation slides are uploaded onto a secured electronic platform, one week before the relevant meeting. Directors can access these materials via their personal computers, laptops, smartphones and other mobile devices prior to, during and after meetings. Hard copies of these materials are also distributed to the Directors at their request. Members of Management who prepared the Board papers and can provide additional insights into matters at hand would be present at the relevant meeting.

Management provides the Board with monthly reports on the NetLink Group's financial and business performance, and such explanation and information as the Board may require, to enable the Board to make a balanced and informed assessment of the NetLink Group's performance, position and prospects. The Board is also apprised of any significant developments on business initiatives, industry developments and regulatory updates.

**Provision 1.7:**

**Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.**

Directors have separate and independent access to Management and the Company Secretaries. As a matter of good corporate governance practice, the role of the Company Secretary has been clearly defined.

The Company Secretaries attend to corporate secretarial administration matters. They assist the Board and Management in implementing and strengthening corporate governance policies and procedures. The Company Secretaries ensure that Board procedures are properly followed. They prepare the agenda for Board and Board Committee meetings in consultation with the Chairman, the respective Board Committee Chairpersons and the CEO, and attend Board and Board Committee meetings. The appointment and the removal of the Company Secretaries are subject to the Board's approval.

The Directors, whether as a group or individually, may seek and obtain independent professional advice in the furtherance of their duties, the expenses of which are borne by the Trustee-Manager.

## 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.**

**Provision 2.1:**

**An "independent" director<sup>2</sup> is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations<sup>3</sup>, its substantial shareholders<sup>4</sup> or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company<sup>5</sup>.**

<sup>2</sup> Rule 1207(10B) of the Listing Rules requires the Board to identify in the company's annual report each director it considers to be independent.

<sup>3</sup> The term "related corporation", in relation to the company, has the same meaning as currently defined in the Companies Act (Chapter 50) of Singapore, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

<sup>4</sup> A "substantial shareholder" 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, is not less than 5% 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.

<sup>5</sup> A director who falls under the circumstances described in Rule 210(5)(d) of the Listing Rules is not independent. These circumstances apply to the following: (i) a director being employed by the company or any of its related corporations for the current or any of the past three financial years; (ii) a director who has an immediate family member who is, or has been in any of the past three financial years, employed by the company or any of its related corporations and whose remuneration is determined by the Remuneration Committee; (iii) a director who has been a director for an aggregate period of more than 9 years (whether before or after listing) and whose continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) all shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officers. Rule 210(5)(d)(i) and (ii) of the Listing Rules come into effect from 1 January 2019. Rule 210(5)(d)(iii) of the Listing Rules and Rule 410(3)(d)(iii) will come into effect on 1 January 2022. Prior to 1 January 2022, the corresponding Guideline 2.4 in the 2012 Code of Corporate Governance will continue to apply.

## CORPORATE GOVERNANCE

### **Provision 2.2:**

**Independent directors make up a majority of the Board<sup>6</sup> where the Chairman<sup>7</sup> is not independent.**

### **Provision 2.3:**

**Non-executive directors make up a majority of the Board.**

The Board consists of eight members, five of whom are independent Directors. Of the three non-independent Directors, two are non-executive Directors and one (being the CEO) is an executive Director. The Chairman of the Board, Mr Chaly Mah Chee Kheong, is an independent Director. The independent Directors and their immediate family members have no relationships with the Trustee-Manager, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of NetLink NBN Trust. More details on the independence of Directors are set out under "Additional Information" on pages 164 to 167.

The composition of the Board also complies with the BTA and the Business Trusts Regulations 2005 (the "BTR"), and consists of:

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

### **Provision 2.4**

**The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.**

The current composition of the Board and the Board Committees is set out below:

Name	Board	Audit Committee	Risk and Regulatory Committee	Nominating Committee	Remuneration Committee
Chaly Mah Chee Kheong	Chairman and Independent Director	-	Member	Member	Chairman
Koh Kah Sek	Independent Director	Chairman	-	-	-
Eric Ang Teik Lim	Independent Director	Member	-	Chairman	Member
Ku Xian Hong	Independent Director	-	Member	-	-
Yeo Wico	Independent Director	Member	-	-	-
Arthur Lang Tao Yih	Non-Executive Director	-	-	Member	Member
Slattery Sean Patrick	Non-Executive Director	-	Chairman	-	-
Tong Yew Heng	Executive Director	-	-	-	-

Annually, the NC reviews the structure, size and composition of the Board to ensure appropriate balance and diversity. The Board has a diversity policy which requires the NC to take into consideration diversity in skills, industry and business experiences, gender, age, culture, nationalities, tenure of service, and other distinguishing qualities of the members of the Board, and with the objective of bringing to the Board different perspectives, experiences and competencies. In its annual review, the NC was satisfied that the objectives of the diversity policy continue to be met.

During the financial year under review, Mr Irving Tan Tiang Yew stepped down from the Board. In his place, Ms Ku Xian Hong was appointed and the change was effected on 1 October 2018. In appointing Ms Ku Xian Hong, the Board, with the assistance of the NC, has taken into consideration the diversity policy to ensure that the new Director can replace the skillsets of the

<sup>6</sup> Rule 210(5)(c) of the Listing Rules requires independent directors to make up at least one-third of the Board. This rule will be come into effect on 1 January 2022. Prior to 1 January 2022, the corresponding Guideline 2.1 in the 2012 Code of Corporate Governance will continue to apply.

<sup>7</sup> The Chairman is not independent when (i) he or she is not an independent director, (ii) he or she is also the CEO, (iii) he or she and the CEO are immediate family members as defined in the Listing Manual of the Singapore Exchange (i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent), (iv) he or she and the CEO have close family ties with each other (i.e. a familial relationship between two parties which extends beyond immediate family members and could influence the impartiality of the Chairman) as determined by the Nominating Committee, or (iv) he or she is part of the Management team.

outgoing director and/or can supplement the collective skillsets of the Directors and bring different perspectives to the Board. Candidates for the appointment were identified through executive search firms and the SID's board appointment service.

The Board consists of Directors with core competencies in areas such as accounting, banking, financial, IT, engineering, law and industry knowledge. In concurrence with the NC, the Board is of the view that the current eight-member Board has the appropriate structure, size, diversity and composition to provide effective guidance and make decisions in the best interests of the NetLink Group. The Board also includes two female Directors in recognition of the importance of gender diversity. The current Board composition reflects a diversity of gender, age, skills and knowledge. A graphic presentation of Board diversity by gender and age can be found in the Sustainability Report on page 88.

**Provision 2.5:**

***Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.***

Directors and Management openly discuss and debate issues at Board meetings. Non-executive Directors are kept apprised of NetLink NBN Trust's business through monthly business reviews (which include financial highlights, operational performance indicators and key risks monitoring indices) circulated by Management. Minutes of all Board Committee meetings are circulated to the Board so that the Directors are aware and kept updated as to the proceedings and matters discussed during such meetings. At every Board Meeting, a Non-executive Directors session without the CEO's and Management's presence is scheduled for the Non-executive Directors to review the performance and effectiveness of Management and feedback is thereafter provided to the CEO and Management.

**Chairman and Chief Executive Officer**

**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.**

**Provision 3.1:**

***The Chairman and the CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making<sup>8</sup>.***

**Provision 3.2:**

***The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.***

The positions of Chairman and CEO are separately held by two persons in order to maintain effective checks and balances. This promotes greater accountability from Management and allows the Board to exercise its independence in its oversight of and deliberations with Management. There is a clear separation of the roles and responsibilities between the Chairman and the CEO, as set out in the Role Statement of the Chairman and the CEO.

The Chairman is responsible for the overall management of the Board as well as ensuring that Directors and Management work together with integrity and competency. He leads the Board to ensure its effectiveness in all aspects of its role. Among other things, the Chairman ensures effectiveness by steering productive and comprehensive discussions amongst Board members and Management on strategic and other key issues pertinent to the business and operations of the Group. He encourages active engagement, participation by and contribution from all Directors. With the assistance of the Company Secretaries, he schedules meetings and prepares meeting agendas to enable the Board to perform its duties responsibly having regard to NetLink NBN Trust's operations. He also monitors the flow of information from Management to the Board to ensure that material information is provided in a timely manner to Directors. The Chairman plays a key role in promoting high standards of corporate governance and transparency, and ensuring effective communication with the stakeholders.

The CEO has full executive responsibilities over the business direction and operational decisions in the day-to-day management of NetLink NBN Trust. He works with Management to ensure that action plans have been put in place in developing an effective enterprise risk management system. He works with the Board to determine NetLink NBN Trust's strategy and is responsible for the implementation of the strategies and policies approved by the Board. The CEO provides leadership and guidance to Management in order to meet the strategic and operational objectives of NetLink NBN Trust. He develops and manages good relationships with the stakeholders, such as Unitholders, the regulators and the investment community.

<sup>8</sup> Rule 1207(10A) of the Listing Rules requires the Board to disclose the relationship between the Chairman and the CEO if they are immediate family members.

## CORPORATE GOVERNANCE

### **Provision 3.3:**

***The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.***

The Chairman and CEO are not immediate family members. Given that the roles of the Chairman and CEO are separate and the Chairman is independent, no lead independent Director is required to be appointed.

### **Board Membership**

#### **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.**

#### **Provision 4.1:**

***The Board establishes a NC<sup>9</sup> to make recommendations to the Board on relevant matters relating to:***

- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel<sup>10</sup>;***
- (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;***
- (c) the review of training and professional development programmes for the Board and its directors; and***
- (d) the appointment and re-appointment<sup>11</sup> of directors (including alternate directors, if any)<sup>12</sup>.***

#### **Provision 4.2:**

***The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.***

#### **Provision 4.3**

***The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.***

#### **Provision 4.4**

***The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence<sup>13</sup>, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.***

#### **Provision 4.5**

***The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments<sup>14</sup> of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.***

<sup>9</sup> Rule 210(5)(e) of the Listing Rules requires companies to establish one or more committees as may be necessary to perform the functions of an Audit Committee, a Nominating Committee and a Remuneration Committee. Each committee formed has written terms of reference which clearly set out the authority and duties of the committee.

<sup>10</sup> The term "**key management personnel**" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<sup>11</sup> Rule 720(5) of the Listing Rules requires all directors to submit themselves for re-nomination and re-election at least once every three years.

<sup>12</sup> Rule 720(6) of the Listing Rules requires key information on directors to be provided together with each resolution on the proposed appointment or re-appointment of directors.

<sup>13</sup> Such relationships include business relationships which the director, his or her immediate family member, or an organisation which the director, or his or her immediate family member is a substantial shareholder, partner (with 5% or more stake), executive officer or director in has with the company or any of its related corporations, and the director's direct association with a substantial shareholder of the company, in the current and immediate past financial year. Where the director or his or her immediate family member, or a company that he, she or they are a substantial shareholder in, provides to or receives from the company or its subsidiaries any significant payments or material services, the amount and nature of the service is disclosed.

<sup>14</sup> The term "**principal commitments**" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

The NC comprises three Directors, all of whom are non-executive Directors and a majority of whom (including the NC Chairman) are independent, namely:

Mr Eric Ang Teik Lim	Chairman
Mr Chaly Mah Chee Kheong	Member
Mr Arthur Lang Tao Yih	Member

The terms of reference of the NC provides that the NC shall comprise at least three non-executive Directors, the majority of whom shall be independent (including being independent from management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager).

The NC's responsibilities include, but are not limited to, the following:

- (a) establishing procedures and making recommendations to the Board on relevant matters relating to the appointment and re-appointment of Directors and considering the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance;
- (b) reviewing and making recommendations to the Board on relevant matters relating to the board succession plans for Directors, the development of a process and the criteria for evaluation of the performance of the Board, to ensure that the size and diversity of the Board continue to:
  - (i) meet the needs of the Trustee-Manager and NetLink NBN Trust; and
  - (ii) facilitate effective decision making;
- (c) reviewing and making recommendations to the Board on training and professional development programmes for the Board;
- (d) reviewing, on an annual basis and as and when circumstances require, whether or not a Director is independent; and
- (e) reviewing other directorships held by each Director and deciding whether or not a Director is able to carry out, and has been adequately carrying out, his duties as a Director of the Trustee-Manager.

Each member of the NC abstains from voting on any resolution in respect of the matter in which he has an interest.

The NC seeks to refresh the Board membership progressively and in a systematic manner, to avoid losing institutional knowledge. The NC also reviews the succession plans for the CEO, the CFO and the COO. The NC recognises the importance of succession planning as part of corporate governance and there is an internal process of succession planning for the Chairman, Directors, the CEO and senior Management, to ensure the progressive and systematic renewal of the Board and key executives.

The NC decides how the Board's performance is to be evaluated and propose objective performance criteria. The Chairman of the NC acts on the results of the performance evaluation of the Board, and selections of members of the Board, in consultation with the NC. As in previous years, the Board has appointed an external consultant to conduct an evaluation of the Board, the Board Committees and individual Directors for FY2019.

The NC conducts an annual review of each Director's independence in accordance with the BTA and the BTR requirements and takes into consideration the relevant guidelines in the 2018 Code and the Practice Guidance 2018 in relation to the 2018 Code. In any situation that involves a conflict of interest with NetLink NBN Trust, Directors recuse themselves from participating in any discussion and decision on the matter. More details on the independence of the Directors are set out under "Board Composition and Guidance" on pages 43 to 45 and under "Additional Information" on pages 164 to 167.

Each of the Directors consults the Chairman of the Board prior to accepting further commitments which might either give rise to a conflict of interest or a conflict with any of his duties to the Trustee-Manager and/or NetLink NBN Trust, or which might detract from the time that he is able to devote to his role as a Director. The Chairman of the Board himself has to consult the NC before accepting such commitments.

The Board has adopted guidelines to address the competing time commitments that are faced when Directors serve on multiple boards, set out in a Policy on Multiple Directorships. As a general rule, the maximum number of listed company directorships that a Director may hold is five. Where a Director holds directorships in more than one listed company within the same group of companies by virtue of his employment, such directorships may be considered as a single directorship. In appropriate

## CORPORATE GOVERNANCE

circumstances, the NC may approve a different maximum number of listed company board appointments for a Director, taking into account relevant factors such as the role that the Director plays on the boards that he sits on, whether or not he is employed in an executive position, and the individual skills, ability and capacity of the Director.

For FY2019, the Board is satisfied that all Directors have been able to and have adequately carried out their duties as Directors notwithstanding their other listed company board representations and other principal commitments. Having reviewed each Director's attendance, participation, contribution, expertise and competing time commitments, the Board (with the NC's concurrence) is of the view that none of the Directors hold a significant number of directorships and other principal commitments that may impede his/her ability to discharge his/her duties. The Board further notes that, in line with the Trustee-Manager's Policy on Multiple Directorships, none of the Directors hold five or more listed company directorships.

None of the Directors has appointed an alternate director.

The Trustee-Manager has put in place a framework for selection, appointment and re-appointment of Directors. In the process of searching for qualified persons to serve on the Board, the NC will strive for the inclusion of diverse groups and viewpoints. The NC leads the process and makes recommendations to the Board for approval. In making its recommendations, the NC also give due regard to the diversity policy adopted by the Board. The Board will consider, inter alia, skills, industry and business experience, gender, age, culture, nationalities, and other distinguishing qualities of the candidates, before selecting the right candidate. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review. In searching for appropriate candidates, the Board uses third party institutions, like the SID, to identify a broader range of suitable candidates.

To ensure that new Directors are aware of their duties and obligations, a formal letter of appointment explaining their duties and obligations as Director is provided to every new Director upon appointment. The formal letter of appointment sets out the time commitment required of the Director and the Director's roles and responsibilities, including disclosure requirements and best practices relating to dealings in securities under applicable laws and regulations.

Newly-appointed Directors undergo a comprehensive orientation programme which includes site visits to the NetLink Group's central offices and co-location rooms to better apprise them of the NetLink Group's business. First-time Directors who do not have prior experience as a director of a Singapore listed company are also provided with a comprehensive briefing on the roles, duties and obligations of directors and will undergo training in the roles and responsibilities of a director of a listed issuer as prescribed under the Listing Rules.

Under the deed (the "**TM Shares Trust Deed**") constituting Singapore NBN Trust (the "**TM Shares Trust**"), Unitholders (as beneficiaries of Singapore NBN Trust) have the right to, by ordinary resolution in accordance with the TM Shares Trust Deed, direct DBS Trustee Limited (as legal owner of the shares in the Trustee-Manager) to approve the re-election of each Director at the AGM of the Trustee-Manager. Each Director of the Trustee-Manager shall retire from office at least once every three years and for this purpose, at each AGM of the Trustee-Manager, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and shall be eligible for re-election at that AGM (the Directors so to retire being those longest in office). The CEO, as a Director, is subject to the same retirement by rotation.

Annually, the Company Secretary will inform the NC which Directors are due for retirement at the AGM. The NC will then review the composition of the Board and decide whether to recommend to the Board the re-election of these retiring Directors, after taking into account factors such as their attendance, participation, contribution, expertise and competing time commitments. At the upcoming AGM, the following Directors will be retiring by rotation and they have offered themselves for re-election:

- (a) Mr Eric Ang Teik Lim;
- (b) Mr Yeo Wico; and
- (c) Mr Tong Yew Heng.

In addition, pursuant to Article 89 of the Constitution of the Trustee-Manager, a Director appointed by the Board to fill a casual vacancy or appointed as an additional Director may only hold office until the next AGM, at which he will be eligible for re-election by Unitholders. As Ms Ku Xian Hong was appointed by the Board on 1 October 2018, she will retire at the upcoming AGM. Ms Ku has offered herself for re-election at the upcoming AGM.

The NC recommends the re-election of these Directors to the Board for approval having regard to the Directors' contribution and performance, with reference to the results of the assessment of the performance of the individual Director.

As the Trustee-Manager is a Designated Telecommunication Licensee, approval from the Info-communications Media Development Authority ("IMDA") is required for the change in appointment of its Chairman, Directors and CEO.

All key information on the Directors, including listed company directorships and principal commitments, are set out under "Board of Directors" on pages 32 to 35. Information relating to the Directors who are retiring and offering themselves for re-election at the upcoming AGM are as set out in Appendix 7.4.1 of the Listing Rules, and can be found in the "Additional Information on Directors seeking re-election" on pages 27 to 30 of the Report of Singapore NBN Trust for FY2019.

## Board Performance

### 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.**

#### Provision 5.1

***The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.***

#### Provision 5.2

***The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.***

The Board has in place a process carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and each individual Director. For FY2019, the Board has also adopted Directors' self and peer evaluation, for individual Directors to assess each Director's contribution to the Board.

To ensure that these assessments are conducted fairly, the Board has appointed an external facilitator, Aon Hewitt Singapore Pte Ltd ("**Aon**"), to conduct the evaluation. Save for Aon's appointment as external facilitator to conduct the Board evaluation and as consultant to advise on Directors' and employee remuneration matters, Aon does not have any other connection with the Trustee-Manager or any of the Directors. The Board believes that the use of an external facilitator promotes objectivity, neutrality and confidentiality. The external facilitator has also provided a more detailed and in-depth assessment including benchmarking the results with industry standards.

The evaluation process involves the following steps:

- (a) establishment of the Trustee-Manager's requirements e.g. by consulting Chairman/Directors/Management;
- (b) designing of the evaluation questionnaire to meet these requirements;
- (c) administering the evaluation exercise, including sending out the evaluation questionnaire to Directors and collating their feedback;
- (d) analysing the feedback; and
- (e) presenting the results of the evaluation exercise with analysis to the NC and the Board.

The evaluation focuses on areas such as Board structure, Board processes, managing the Trustee-Manager's performance, Board strategy and priorities, the development and succession planning for Directors and senior Management (including the CEO), teamwork amongst Directors, and each Director's contribution to the Board. Objective performance criteria, which allow benchmarking with industry peers, have been set for such evaluation. The results of the evaluation for FY2019 indicated that the Board has improved in overall perception and compares favourably with the boards of the Trustee-Manager's peer companies.

Through self and peer feedback mechanisms, each Director is evaluated on attributes such as contribution, knowledge and abilities, and teamwork. Upon completion of the evaluation exercise, each Director receives a copy of the ratings on his or her evaluation analysis.

## CORPORATE GOVERNANCE

### SECTION (B): REMUNERATION MATTERS

#### Procedures for Developing Remuneration Policies

##### 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.**

##### Provision 6.1

**The Board establishes a Remuneration Committee ("RC")<sup>15</sup> to review and make recommendations to the Board on:**  
**(a) a framework of remuneration for the Board and key management personnel; and**  
**(b) the specific remuneration packages for each director as well as for the key management personnel.**

##### Provision 6.2

**The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.**

##### Provision 6.3

**The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.**

##### Provision 6.4

**The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.**

The RC comprises three Directors, all of whom are non-executive Directors and a majority of whom (including the RC Chairman) are independent, namely:

Mr Chaly Mah Chee Kheong	Chairman
Mr Eric Ang Teik Lim	Member
Mr Arthur Lang Tao Yih	Member

The terms of reference of the RC provides that the RC shall comprise at least three non-executive Directors, the majority of whom shall be independent (including being independent from Management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager).

The RC's responsibilities include, but are not limited to, the following:

- (a) reviewing and recommending to the Board, in consultation with the Chairman of the Board (where applicable), a general framework of remuneration for the Board and key management personnel, and specific remuneration packages for each Director and key management personnel, for endorsement by the Board;
- (b) reviewing the obligations of the Trustee-Manager and the NetLink Group arising in the event of the termination of the service contracts of executive Directors and key management personnel, to ensure that such service contracts contain fair and reasonable termination clauses which are not overly generous; and
- (c) administering and approving awards under the Long Term Incentive Plan (please refer to "Long-Term Incentive Component" under "CEO/Executive Director and Key Management Personnel Remuneration" on page 52) and/or other long term incentive schemes to Directors and/or senior executives of the NetLink Group.

<sup>15</sup> Rule 210(5)(e) of the Listing Rules requires companies to establish one or more committees as may be necessary to perform the functions of an Audit Committee, a Nominating Committee and a Remuneration Committee. Each committee formed should have written terms of reference which clearly set out the authority and duties of the committee.

The Director of Human Resource assists the RC in the execution of its functions, and makes reference to market surveys and information where relevant. The RC ensures that in the event of such advice being sought, existing relationships, if any, between the NetLink Group and its appointed consultants will not affect the independence and objectivity of the remuneration consultants. For FY2019, Aon was engaged as the consultant to advise on Directors' and employee remuneration matters. Save for Aon's appointment as the external facilitator to conduct the Board evaluation and as consultant to advise on remuneration matters, Aon does not have any other existing relationships with the NetLink Group.

### Level and Mix of 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.**

#### Provision 7.1:

**A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.**

#### Provision 7.2:

**The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.**

#### Provision 7.3:

**Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.**

The RC establishes remuneration policies that are in line with the NetLink Group's business strategies and risk policies as well as long-term interests of the NetLink Group and the Unitholders, with a view to ensuring remuneration packages are sufficiently competitive to attract, retain and motivate Directors and key management personnel of the appropriate experience and expertise. In its deliberations, the RC will take into consideration industry practices and benchmarks against relevant industry players to ensure that its remuneration and employment conditions are competitive.

The framework for determining Directors' fees is set out under "Disclosure on Remuneration" on pages 53 to 54. Directors' fees are wholly paid out in cash. Nevertheless, Directors are encouraged to hold NetLink NBN Trust units so as to better align the interests of Directors with the interests of Unitholders.

The framework for determining the remuneration of the key management personnel is described in the paragraphs below. Remuneration packages comprise fixed components and variable components, including short-term and long-term incentive components, and are structured around measured key performance indicators.

### CEO/Executive Director and Key Management Personnel Remuneration

The RC seeks to ensure that the level and mix of remuneration for the CEO and key management personnel are competitive, aligned with Unitholders' interests and promote NetLink Group's long-term success.

The letters of appointment of the CEO, the CFO and the COO provide that the incentive components of their remuneration may be reclaimed in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the NetLink Group.

During FY2019, there was no termination, retirement or post-employment benefits granted to the Directors, the CEO and key management personnel. None of the NetLink Group's employees is an immediate family member of any Director or the CEO.

Remuneration for the CEO and key management personnel comprises a fixed component, variable cash component, long-term incentive component and market-related benefits:

#### A. Fixed Component

The fixed component comprises the base salary and fixed allowances.

## CORPORATE GOVERNANCE

### B. Variable Cash Component

The variable cash component is given in the form of an Annual Variable Bonus (“**AVB**”). This AVB is a cash-based incentive for the CEO and key management personnel, which is linked to the achievement of annual performance targets.

Corporate and individual performance objectives are set at the beginning of each financial year. The objectives are aligned to the NetLink Group’s overall strategic, financial and operational goals, and are cascaded down to a select group of key management personnel using scorecards, creating alignment between the performance of the NetLink Group and the individual. While the performance objectives are different for each executive, they are assessed on the same principles across five broad categories of targets, namely Financial and Operational Performance; People, Projects and Processes; Stakeholders; and Strategic.

The target AVB for the CEO and key management personnel is pre-set at a fixed percentage of their annual base salary, and is adjusted based on the achievement of the corporate and individual targets at the end of each financial year. The final AVB pay-out can range from 0 to 1.5 times of the target pay-out for the CEO, the CFO and the COO, and range from 0 to 2 times of the target pay-out for other key management personnel.

### C. Long-Term Incentive Component

The NetLink Trust Long-Term Incentive Plan (the “**Plan**”) is an incentive plan established with the objective of rewarding and retaining key executives for driving long-term business performance that is aligned with Unitholders’ interest. Under the Plan, the performance conditions are set over a three-year performance period and are based on free cash flow, return on total assets and absolute total unitholder return. The target award for eligible roles is set as a multiple of monthly base salary and the magnitude is determined using market benchmark on total compensation.

The awards are granted on a contingent basis, and the awards will be determined and fully vest at the end of a three-year performance period (beginning on 1 April immediately preceding the date of grant), based on performance against the measures identified above, with a minimum threshold performance being specified in respect of each performance measure and with superior performance in respect of each performance measure allowing for a maximum final award of up to 1.5 times of the contingent award.

The awards are to be paid out in cash in full upon vesting. In this regard, the awards which are granted will be notionally converted into a number of Units based on the average daily closing unit price from January to March of the year in which the awards are granted (except in the case of awards granted in 2017 prior to the IPO, which were notionally converted into a number of Units based on the Offering Price of S\$0.81), and such notional number of Units, multiplied by the achievement factor of 0 to 1.5 times depending on the performance achieved against the measures identified above, will then be converted into and paid out in cash based on the average daily closing unit price of the Units in the three-month period immediately prior to the end of the three-year performance period.

To the extent that any awards are granted to the CEO, the CFO and/or the COO, such awardee is required, within one year following the vesting of the relevant awards (subject to the awardee still being in the NetLink Group’s employment), to accumulate a minimum unitholding in NetLink NBN Trust equal to such person’s prevailing annual base salary at the time of vesting of the awards. This obligation to accumulate a minimum unitholding does not apply to other participants in the Plan.

The Plan was introduced in April 2017 prior to the IPO of NetLink NBN Trust. The Plan replaced the previous long-term incentive plan. The awards granted to the CEO, the CFO and the COO under the previous long-term incentive plan have met the performance objectives set and have since vested in accordance with the terms of the previous long-term incentive plan.

### D. Market-related Benefits

These benefits, which include club membership and flexi benefit and other non-cash benefits such as medical, dental, comprehensive health screening and car-parking, are comparable with local market practices.

## Disclosure on Remuneration

### 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.**

The remuneration framework is based on policies which are aligned with Unitholders' interests to support the NetLink Group's business with the aim of retaining key capabilities, provide sound and structured funding of remuneration in ensuring affordability and sustainable value creation. Competitive remuneration packages are offered to attract and retain experienced individuals. The remuneration policies, the procedures for setting remuneration and the relationships between remuneration, performance and value creation are described in Principle 7 above.

#### Provision 8.1:

**The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:**

**(a) each individual director and the CEO; and**

**(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.**

#### Provision 8.2:

**The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.**

#### Provision 8.3:

**The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.**

## Non-Executive Directors' Remuneration

### FY2019

For FY2019, the framework for determining the Directors' fees is set out below. This framework was adopted in July 2017 after a review of the remuneration practices of real estate investment trusts and business trusts listed on the SGX-ST.

Appointment	Fees per annum (S\$)
Board Chairman	110,000
Board Member	75,000
Audit Committee Chairman	50,000
Audit Committee Member	30,000
Risk & Regulatory Committee Chairman	35,000
Risk & Regulatory Committee Member	20,000
Nominating & Remuneration Committee Chairman	35,000
Nominating & Remuneration Committee Member	20,000

Following the restructuring of the NRC into the NC and the RC on 13 February 2019, the fees for the NRC was equally divided between the NC and the RC with effect from that date to 31 March 2019.

## CORPORATE GOVERNANCE

The annual remuneration of Directors for FY2019 is as follows:

Directors	Directors' Fees (\$\$)
Chaly Mah Chee Kheong	164,021
Eric Ang Teik Lim <sup>1</sup>	125,979
Koh Kah Sek	125,000
Irving Tan Tiang Yew <sup>2</sup>	47,500
Ku Xian Hong <sup>3</sup>	47,500
Yeo Wico	105,000
Arthur Lang Tao Yih <sup>1</sup>	95,000
Slattery Sean Patrick <sup>1</sup>	110,000
<b>Total</b>	<b>820,000</b>

Note:

<sup>1</sup> Fees are paid to Director's employer company

<sup>2</sup> Stepped down on 1 October 2018

<sup>3</sup> Appointed on 1 October 2018

The CEO, Mr Tong Yew Heng, is an Executive Director and is therefore remunerated as part of senior Management. He does not receive Directors' Fees.

### **Financial Year Ending 31 March 2020**

During FY2019, Aon was commissioned to conduct a review of the remuneration framework for non-executive Directors to ensure that Directors' remuneration is market benchmarked. Following the RC's recommendation and the Board's review, it is proposed that for the financial year ending 31 March 2020:

- (a) Board Chairman retainer fees be increased to \$150,000;
- (b) NC Chairman retainer fees and NC Member retainer fees be increased to \$20,000 and \$12,000 respectively; and
- (c) RC Chairman retainer fees and RC Member retainer fees be increased to \$20,000 and \$12,000 respectively.

Save for the abovementioned changes, the fee structure will remain the same. Accordingly, the proposed framework for determining Directors' fees for the financial year ending 31 March 2020 is as follows:

Appointment	Fees per annum (\$\$)
Board Chairman	150,000
Board Member	75,000
Audit Committee Chairman	50,000
Audit Committee Member	30,000
Risk & Regulatory Committee Chairman	35,000
Risk & Regulatory Committee Member	20,000
Nominating Committee Chairman	20,000
Nominating Committee Member	12,000
Remuneration Committee Chairman	20,000
Remuneration Committee Member	12,000

## CEO's and Top Five Key Management Personnel's Remuneration

Following is a breakdown of the level and mix of the annual remuneration of the CEO and each of the top five key management personnel in FY2019, set out in bands of S\$250,000:

**Table 1: CEO's Remuneration**

Name	Fixed <sup>1</sup> (S\$)	Variable <sup>2</sup> (S\$)	CPF <sup>3</sup> (S\$)	Benefits <sup>4</sup> (S\$)	LTI <sup>5</sup> (S\$)	Total Remuneration (S\$)
Tong Yew Heng	492,204	371,283	13,260	5,870	27,813	910,430

Mr Tong Yew Heng was granted a long term incentive award of S\$341,253 for FY2019. The award is granted on a contingent basis, and will be determined and fully vested at the end of a three-year performance period, based on performance against the performance conditions set.

**Table 2: Top Five Key Management Personnel's Remuneration**

Remuneration Band	Fixed <sup>1</sup> (%)	Variable <sup>2</sup> (%)	CPF <sup>3</sup> (%)	Benefits <sup>4</sup> (%)	LTI <sup>5</sup> (%)	Total Remuneration (%)
<b>Between \$500,001 and \$750,000</b>						
Chye Hoon Pin	53	26	1	1	19	100
Wong Hein Jee	59	28	3	1	9	100
<b>Between \$250,001 and \$500,000</b>						
Ang Soo Piang	68	28	3	1	0	100
Widjaja Suki	74	18	6	2	0	100
Tiong Onn Seng	73	21	5	1	0	100

Note:

<sup>1</sup> Fixed refers to base salary and fixed allowances for FY2019.

<sup>2</sup> Variable refers to cash-based incentives earned in FY2019 and paid out in June 2019.

<sup>3</sup> CPF refers to company statutory contributions to the Singapore Central Provident Fund in FY2019.

<sup>4</sup> Benefits in FY2019 are stated on the basis of direct costs and include benefits like club membership and flexi benefit and other non-cash benefits such as medical, dental, comprehensive health screening and car parking.

<sup>5</sup> LTI refers to the second one-third of pre-IPO long-term incentive plan awards which have vested, and will be paid out in cash in July 2019.

The top five members of senior management (who are not Directors or the CEO) were granted LTI awards in aggregate of S\$505,556 for FY2019. These awards are granted on a contingent basis, and will be determined and fully vested at the end of a three-year performance period, based on performance against the performance conditions set.

The total remuneration paid to the top five senior management personnel (who are not Directors or the CEO) in FY2019 was approximately S\$2,271,252.

There are no employees of the Trustee-Manager and the NetLink Group who are substantial Unitholders of the Trust, or are immediate family members of the Directors or the CEO or a substantial Unitholder of the Trust, and whose remuneration exceeds S\$100,000 during FY2019.

## CORPORATE GOVERNANCE

### SECTION (C): ACCOUNTABILITY AND AUDIT

#### Risk Management and Internal Controls

##### 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<sup>16</sup>.

##### Provision 9.1:

The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.

##### Provision 9.2:

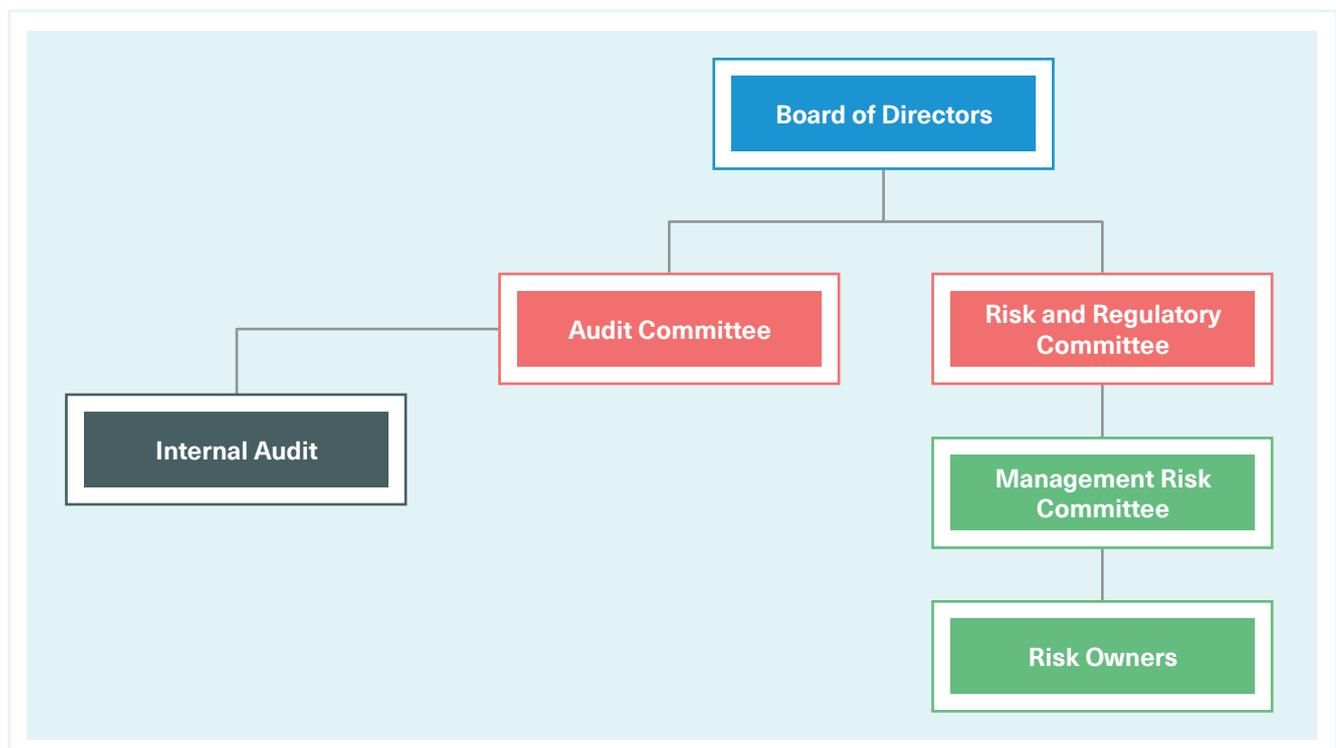
The Board requires and discloses in the company's annual report that it has received assurance from:

- (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

NetLink Group aims to excel as the planner, builder, operator and long-term owner of quality infrastructure assets and provider of quality infrastructure services, adding value to its stakeholders and achieving consistent returns. The Board views risk management as a key contributing factor in achieving its objectives.

The Board oversees risk governance in the NetLink Group through frameworks for risk management and the implementation of internal controls. Through the NetLink Group's risk governance structure, and with the assistance of the RRC and the AC, the Board seeks to manage potential risks associated with the execution of its business strategies and create value for its stakeholders.

NetLink Group's risk governance structure is illustrated in the table below.



<sup>16</sup> Rule 610(5) and Rule 719(1) of the Listing Rules require the Board to comment on the adequacy and effectiveness of the company's internal controls and risk management systems, and the AC's concurrence with the Board's comments. Where either the Board or the AC comments that the issuer's group's internal controls or risk management systems have weaknesses, the issuer must provide clear disclosure on the weaknesses and the steps taken to address them.

The RRC comprises three Directors, the majority of whom are non-executive and independent Directors, namely:

Mr Slattery Sean Patrick	Chairman
Mr Chaly Mah Chee Kheong	Member
Ms Ku Xian Hong	Member

The terms of reference of the RRC provides that the RRC shall comprise at least three Directors, the majority of whom are non-executive and independent (including being independent from Management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager).

The RRC's responsibilities include, but are not limited to, the following:

- (a) providing oversight and reviewing the adequacy and effectiveness of the risk management system and system of internal controls of the Trustee-Manager and the NetLink Group, and reviewing the Trustee-Manager's and the NetLink Group's overall risk assessment processes, policies and guidelines that inform the Board's decision-making;
- (b) advising the Board on the Trustee-Manager's and the NetLink Group's overall risk tolerance and strategy;
- (c) reviewing the risk management processes and activities of the Trustee-Manager and the NetLink Group to mitigate and manage risk at acceptable levels determined by the Board;
- (d) keeping under review the effectiveness of the Trustee-Manager's and the NetLink Group's internal controls and risk management systems and reviewing and approving the statements to be included in the annual report of NetLink NBN Trust concerning the effectiveness of the Trustee-Manager's and the NetLink Group's internal control and risk management systems;
- (e) reviewing the Trust's compliance with regulatory obligations imposed by IMDA, particularly in respect of:
  - (i) the control and ownership restrictions set out in the FBO licence granted to the Trustee-Manager by IMDA;
  - (ii) the Capex Reserve Requirement<sup>17</sup>; and
  - (iii) the restrictions on services offered by the Trust as set out in the FBO licence granted to the Trustee-Manager by IMDA; and
- (f) providing guidance and recommendations to the Board on strategic regulatory matters.

Each member of the RRC abstains from voting on any resolutions in respect of the matter in which he has an interest.

The RRC, under its terms of reference, has the responsibility to, among others, provide oversight and review the adequacy and effectiveness of the risk management system. While the overall supervision of risk management rests with the RRC, the AC is involved in monitoring Management's efforts in managing financial and financial reporting-related risks, and internal controls, and liaises closely with the RRC. Information is shared on a regular basis between the AC and the RRC.

The RRC is supported by a Management Risk Committee ("**MRC**") comprising management executives which reviews the effectiveness of the risk management processes on a regular basis and reports any substantial findings of risks or non-compliance to the RRC. The CEO chairs the MRC.

NetLink Group has implemented an Enterprise Risk Management ("**ERM**") framework based on ISO 31000: 2009 (Risk Management Principles and Guidelines) with the aim of pursuing a systematic and structured approach towards the effective management of risk. KPMG Services Pte. Ltd. was engaged by the NetLink Group to assist in the development and implementation of this framework.

<sup>17</sup> "Capex Reserve Requirement" is the requirement for NetLink Trust to set aside monies for at least 20% of capital expenditure reserve fund per year cumulating to S\$40 million over the five year period from 1 January 2018 to 31 December 2022, to meet regulatory requirements from IMDA or for any new network infrastructure projects that improve the capacity, technology, capability or resilience of NetLink Trust's network infrastructure.

## CORPORATE GOVERNANCE

In adopting ISO 31000: 2009 (Risk Management Principles and Guidelines), the NetLink Group seeks to achieve the following objectives through the effective management of risk:

- (a) good corporate governance standards;
- (b) a structured and disciplined approach to manage risks and promote a consistent process across the NetLink Group;
- (c) an effective system of internal controls;
- (d) a culture of risk awareness at all levels within the NetLink Group;
- (e) successful business performance; and
- (f) manage risks to a level commensurate with the corporate appetite for risks.

The MRC is accountable to the RRC and the Board for the effectiveness of the ERM framework, policies and resources employed to identify, manage and report risks relating to the NetLink Group's activities.

Significant risks facing the NetLink Group are identified and assigned to relevant risk owners. The risk owners will perform an assessment on the potential impact and likelihood of those risks occurring, the adequacy of the NetLink Group's internal controls and the action plans taken to mitigate such risks. This assessment will be documented in the NetLink Group's risk register and updated at least on an annual basis. Risks are then categorised into Tier 1 and Tier 2 risks based on significance, which will be further deliberated by the MRC and the RRC.

To enhance risk monitoring, risk appetite statements and key risk indicators are developed and monitored. For any breach of the indicators, this will be escalated to MRC and RRC for discussion and review of action plans.

More information on the NetLink Group's ERM framework can be found under "Enterprise Risk Management" on pages 68 to 72.

Various policies have been developed and implemented to ensure proper governance.

NetLink Group has in place an employee's Code of Conduct which sets out principles to guide employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity.

Employees must comply with the NetLink Group's reporting and disclosure requirements of potential or actual conflicts of interest, and are prohibited from engaging in situations or situations which could result in conflicts of interest. All Directors are required to disclose their business interests and any potential or actual conflicts of interest that they are aware of, or as soon as such conflicts become apparent. A Director recuses himself and abstains from the Board's decision on matters relating to any transaction in which he has an interest.

The Anti-Bribery and Corruption Policy further reinforces the NetLink Group's commitment to maintain high ethical standards. NetLink Group adopts a "zero tolerance" position to bribery and corruption and the policy sets out the responsibilities of the NetLink Group and its employees in observing and upholding this position.

The abovementioned policies, together with other policies such as the Gift, Prize, Entertainment and Hospitality Policy and the Corporate Donation and Sponsorship Policy, which are available to employees on a shared online platform, deter and manage risk of unethical behaviour.

NetLink Group has also launched a Supplier's Code of Conduct which sets out the minimum standards that Suppliers need to comply with. Amongst others, Suppliers are expected to act ethically and comply with all relevant laws and regulations in their business operations.

The Whistleblowing Policy allows employees and external parties to report concerns or suspicions of fraud, corruption, dishonest practices and other improprieties observed within the NetLink Group without fear of retaliation. Reports may be made via various modes of communication through an external channel. Valid reports made in good faith will be investigated independently and appropriate follow-up action will be taken upon direction by the Chairman of the AC.

The Trustee-Manager is required to comply with the provisions of the Listing Rules relating to Interested Person Transactions (“**IPTs**”) as well as the BTA and such other guidelines relating to IPTs as may be prescribed by relevant laws, regulations and guidelines. In this regard, the Trustee-Manager has adopted an Interested Person Transactions Policy which sets out, inter alia, procedures for reviewing IPTs, to ensure that all IPTs will be undertaken on an arm’s length basis and on normal commercial terms, and will not be prejudicial to the interests of NetLink NBN Trust and its minority Unitholders. The list of IPTs for the period under review can be found under “Additional Information” on page 169.

In terms of internal controls, the internal and external auditors conduct reviews on the adequacy and effectiveness of the NetLink Group’s internal controls and report any material non-compliances or weaknesses in internal controls to the AC for review. The AC also reviews the adequacy and effectiveness of the measures taken by Management on recommendations made by the internal and external auditors to rectify such non-compliances and weaknesses.

The Board has received assurance from:

- (a) the CEO and the CFO that the NetLink Group’s financial records have been properly maintained and the financial statements for the period under review give a true and fair view of the NetLink Group’s operations and finances; and
- (b) the CEO, the CFO and the COO (collectively “**key management personnel**”) that the system of risk management and internal controls in place within the NetLink Group is adequate and effective in addressing the risks which the NetLink Group considers relevant and material to its business operations.

The key management personnel has obtained similar assurances from the heads of operational and corporate departments in the NetLink Group on the risk management and internal control systems within their respective scope, to support their assurance statement to the Board.

Based on:

- (a) the system of risk management and internal controls established and maintained by the NetLink Group as described above;
- (b) work performed by the internal and external auditors; and
- (c) assurances from the key management personnel together with regular reviews performed by Management,

the Board, with the concurrence of the AC and the RRC, is of the opinion that the NetLink Group’s system of risk management and internal controls were adequate and effective as at 31 March 2019 to address the risks (including financial, operational, compliance and information technology risks), which the NetLink Group considers relevant and material to its operations.

The Board notes that the NetLink Group’s risk management and internal controls provide reasonable, but not absolute, assurance that the NetLink Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that there is no risk management system and internal controls that could provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

## CORPORATE GOVERNANCE

### Audit Committee

#### Principle 10:

The Board has an AC<sup>18</sup> which discharges its duties objectively.

#### Provision 10.1

The duties of the AC include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and
- (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

#### Provision 10.2:

The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

#### Provision 10.3:

The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

#### Provision 10.4:

The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.

#### Provision 10.5:

The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

The Audit Committee is required to comprise at least three members:

- all of whom are independent from Management and business relationships with the Trustee-Manager; and
- at least a majority of whom, including the Chairman of the AC, are independent from Management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager.

The members of the AC are:

Ms Koh Kah Sek	Chairman
Mr Eric Ang Teik Lim	Member
Mr Yeo Wico	Member

<sup>18</sup> Rule 210(5)(e) of the Listing Rules requires companies to establish one or more committees as may be necessary to perform the functions of an Audit Committee, a Nominating Committee and a Remuneration Committee. Each committee formed should have written terms of reference which clearly set out the authority and duties of the committee.

All AC members are independent Directors. None of the AC members were former partners or directors of the Trustee-Manager's external auditor within the last two years or hold any financial interest in the external auditor.

The Board is of the view that the members of the AC have sufficient financial management expertise and experience to discharge the AC's functions given their experience as directors and/or senior management/partners in the accounting, financial and legal sectors.

The role of the AC is to develop, maintain and monitor an effective system of internal controls. The AC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of an external auditor and reviewing the adequacy of internal and external audits in respect of cost, scope and performance. In view of the Board's overall responsibility to maintain a sound risk management system, the Board is of the opinion that the RRC, which has been set up specifically to review the adequacy and effectiveness of the risk management systems of the Trustee-Manager and the NetLink Group specifically, is the appropriate Board committee to perform such duties.

The AC's responsibilities also include, but are not limited to, the following:

- (a) reviewing the quality and reliability of information prepared for inclusion in NetLink NBN Trust's financial reports;
- (b) reviewing NetLink NBN Trust's consolidated financial statements, as well as the assurances from the CEO and the CFO on the financial records and financial statements, and any announcements relating to NetLink NBN Trust's financial performance prior to submission to the Board;
- (c) reviewing with the auditors of the Trust:
  - (i) the audit plan of the Trust;
  - (ii) the auditor's audit report for the Trust;
  - (iii) the auditor's management letter and management's response in respect of the Trust;
  - (iv) the assistance given by the officers of the Trustee-Manager to the auditors of the Trust;
  - (v) the scope and results of the internal audit procedures implemented by the Trustee-Manager;
  - (vi) the policies and practices put in place by the Trustee-Manager to ensure compliance with the BTA and the Trust Deed; and
  - (vii) the internal guidelines and procedures put in place by the Trustee-Manager for managing any conflict that may arise between the interests of the Unitholders and the interests of the Trustee-Manager, including interested person transactions (to determine if such guidelines and procedures put in place are sufficient to ensure that interested person transactions are conducted on normal commercial terms and will not be prejudicial to the Trust and the minority Unitholders), the indemnification of expenses or liabilities incurred by the Trustee-Manager and the setting of fees or charges payable out of the Trust property;
- (d) reviewing interested person transactions to ensure that interested person transactions are conducted on normal commercial terms and will not be prejudicial to the Trust and the minority Unitholders;
- (e) reviewing any actual or potential conflicts of interest matters referred to the AC. This includes reviewing any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board. Upon disclosure of an actual or potential conflict of interest by a Director, the AC will consider whether a conflict of interest does in fact exist. A Director who is a member of the AC will not participate in any proceedings of the AC in relation to the review of a conflict of interest relating to him. The review will include an examination of the nature of the conflict and such relevant supporting data, as the AC may deem reasonably necessary. Where a conflict of interest does exist, the AC will resolve or propose, where appropriate, the relevant measures for the management of such conflicts;

## CORPORATE GOVERNANCE

- (f) reviewing the balance sheet, and profit and loss account of the Trustee-Manager, as well as the balance sheet, profit and loss account and cash flow statement of NetLink NBN Trust submitted to it by the Trustee-Manager, and thereafter to submit them to the Board;
- (g) reporting to the Board:
  - (i) any inadequacies, deficiencies or matters of concern of which the AC becomes aware or that it suspects arising from its review of the items referred to in sub-paragraphs (b), (c), (d), (e) and (f); and
  - (ii) any breach of the BTA or any breach of the provisions of the Trust Deed, of which the AC becomes aware or that it suspects;
- (h) reporting to the MAS if the AC is of the view that the Board has not taken, or does not propose to take, appropriate action to deal with a matter reported under sub-paragraph (g);
- (i) nominating a person or persons as auditor of the Trust, notwithstanding anything contained in the Trust Deed;
- (j) reviewing and monitoring Management's efforts in managing financial and financial reporting-related risks and internal controls;
- (k) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Trustee-Manager and the Trust and any announcements relating to the Trustee-Manager's and the Trust's financial performance;
- (l) reviewing the policy and arrangements by which staff of the Trustee-Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective shall be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken;
- (m) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Trustee-Manager's and the Trust's risk management systems and internal controls, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties;
- (n) monitoring and reviewing the implementation of the auditors' recommendations for internal control weaknesses (if any);
- (o) reviewing the adequacy, effectiveness, independence, scope and results of the external auditors;
- (p) reviewing all hedging policies to be implemented by the NetLink Group;
- (q) determining the criteria for selection, monitoring and assessing the external auditor, and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, as well as approving the remuneration and terms of engagement of the external auditor;
- (r) reviewing at least annually the independence, adequacy and effectiveness, scope and results of the internal audit function and processes, as well as ensuring that the internal auditor is adequately resourced and set up to carry out its functions; and
- (s) meeting with the external and internal auditors, without the presence of the executive officers, at least on an annual basis.

The AC has considered the performance of the external auditors and the volume of non-audit services provided by the external auditors together with the fees paid for such services. The AC is satisfied that the independence and objectivity of the external auditors have not been impaired by the provision of those services. The aggregate amount of audit fees paid/payable to the external auditors is S\$173,000 of which S\$163,000 pertains to annual audit services and S\$10,000 pertains to permissible non-audit services (as shown in Note 10 under "Notes to the Financial Statements" on page 136).

The AC has the authority to investigate matters within its terms of reference and has unfettered access to the NetLink Group's management, and internal and external auditors. AC meetings are attended by the CEO and the CFO as well as the internal and external auditors.

During FY2019, the AC reviewed the NetLink Group's financial statements and accompanying announcements before recommending them to the Board for approval. The AC also met with the internal and external auditors without the presence of Management to obtain feedback on the competency and adequacy of the finance function, to review the assistance given to the internal and external auditors, and to discuss the financial reporting process and the NetLink Group's financial condition, the system of internal controls, and other significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore. The key audit matters reported by the external auditors and reviewed by the AC for FY2019 are set out below:

Key Audit Matter	How the Audit Committee addressed the matter
Goodwill impairment review	<p>The AC considered the methodology, estimates and assumptions such as WACC of 5.26% and terminal growth rate of 1.5% used in the valuation model for purpose of determining if there is any impairment of goodwill.</p> <p>The AC also considered the auditor's report and findings of the external auditors on their assessment for the key assumptions driving the value-in-use calculation, in particular the cash flow forecasts, discounting period, discount rate and long term growth rate.</p> <p>The AC was satisfied that the review process and the methodology used were appropriate and disclosures in the financial statements were adequate. The external auditor has included this item as a key audit matter in the auditor's report for the financial year ended 31 March 2019. Please refer to page 103.</p>

The Board confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the Listing Rules. The information included in this Annual Report, excluding the Financial Statements and auditor's report, was provided to the external auditors after the auditor's report date. The external auditors have provided a written confirmation to the AC that they have completed the work in accordance with SSA 720 (Revised) The Auditor's Responsibilities Relating to Other Information, and they have noted no exception.

NetLink Group's external auditors prepare an audit plan on an annual basis, taking into consideration, amongst other things, the financial reporting-related risks identified by the internal auditors, and presents such audit plan to the AC for its review and concurrence. NetLink Group's external auditors also report to the AC on matters relating to internal financial controls that come to their attention during the course of their normal audit and provides related recommendations for improvements. The AC reviews, among others, the scope and results of the external audit, and the independence and objectivity of the external auditors.

Internal audit function has been outsourced to KPMG Services Pte. Ltd. The internal auditors report directly to the Chairman of the AC and has unfettered access to all company documents, records, properties, personnel and the AC. The internal audit function is guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of the Internal Auditors ("IIA"). The internal auditors adopt a risk-based approach in developing the annual internal audit plan that is aligned with the organisation's key risks. The internal auditors plan its internal audit schedules in consultation with, but independent of the Management.

## CORPORATE GOVERNANCE

The annual audit plan is submitted to the AC for approval at the beginning of each year. On a quarterly basis, internal audit reports are submitted to the AC for discussion and in particular, on the progress in executing the internal audit plan, any major internal control gaps and lapses as well as corrective actions taken by Management. The AC monitors the timely and proper implementation of the required corrective, preventive or improvement actions undertaken by Management through a follow-up audit that is conducted by the internal auditors annually. Based on the annual audit plan and the reports submitted by the internal auditors every quarter, the AC is satisfied that the internal auditors have adequate resources, appropriate standing and the required expertise to perform the internal audit function effectively and independently. The AC reviews, among others, the independence, adequacy and effectiveness of the Trustee-Manager's internal audit function at least annually, and the scope and results of the internal audit and its cost effectiveness.

The AC is kept apprised by Management and through presentations by the auditors of changes in financial reporting standards and issues which have a direct impact on financial statements.

### SECTION (D): SHAREHOLDER RIGHTS AND ENGAGEMENT

#### Shareholder Rights and Conduct of General Meetings

##### 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.**

##### Provisions 11.1:

***The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.***

##### Provision 11.2:

***The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.***

##### Provision 11.3:

***All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.***

##### Provision 11.4:

***The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.***

The Trustee-Manager is committed to treating all of NetLink NBN Trust's Unitholders fairly and equitably and to facilitate the exercise of Unitholders' rights. All Unitholders enjoy specific rights under the Trust Deed, the Trustee-Manager's Constitution and the relevant laws and regulations, including the right to attend and vote at general meetings.

DBS Trustee Limited (as share trustee of Singapore NBN Trust) holds the shares of the Trustee-Manager on trust for the benefit of the beneficiaries of Singapore NBN Trust (being the Unitholders) *pari passu*, each of whom has an undivided interest in the Trustee-Manager in proportion to their respective percentage of units held or owned by each of them in the Trust. The TM Shares Trust Deed provides that the Trustee-Manager agrees and undertakes to call and hold meetings and proceedings of the beneficiaries of Singapore NBN Trust for the purposes of the TM Shares Trust Deed in accordance with the Trust Deed. The TM Shares Trust Deed also provides that all rights of voting conferred by the shares in the Trustee-Manager shall be exercised by the Share Trustee in accordance with the relevant resolutions passed by the Unitholders. Accordingly, in addition to the AGM of the Trust held each year, an AGM of the TM Shares Trust is also held each year as immediately after the AGM of the Trust.

The Trustee-Manager welcomes Unitholders' participation at NetLink NBN Trust's AGMs, the AGMs of the TM Shares Trust, and any Extraordinary General Meetings ("**EGM**"). The Board and senior Management attends all general meetings to address Unitholders' queries. Unitholders will be given opportunity to communicate their views on various matters concerning the NetLink Group. All Directors and the NetLink Group's external auditors attended the AGMs on 25 July 2018. No other Unitholders' meeting was held during the period under review.

The Trustee-Manager will send all Unitholders a copy of NetLink NBN Trust's annual report and a copy of the notice of AGM prior to the Trust's AGM as well as a copy of the notice of AGM of the TM Shares Trust prior to the AGM of the TM Shares Trust in compliance with the requisite notice period. For EGMs, the Trustee-Manager will send each Unitholder a copy of a circular and a copy of the notice of EGM which contains details of the matters to be proposed for Unitholders' consideration and approval. The Trustee-Manager will also announce notices of general meetings setting out all items of business to be transacted at the general meeting via SGXNET.

At AGMs, the CEO will make a presentation to Unitholders on the NetLink Group's business performance and its prospects, going forward. The presentation materials will be posted on SGXNET and NetLink NBN Trust's corporate website.

At Unitholders' meetings, each resolution proposed will be voted on by way of electronic poll voting for Unitholders/proxies present at the meetings. The detailed results showing the number of votes cast for and against each resolution, and the respective percentages, will be tallied and displayed on screen to Unitholders immediately after each poll is conducted at the Unitholders' meeting. The results of the poll of each Unitholders' meeting will also be announced in a timely manner after the Unitholders' meeting via SGXNET.

Unitholders may appoint up to two proxies to attend and vote on their behalf if they are unable to attend in person, and corporate Unitholders may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM/EGM and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual, in accordance with the Trust Deed. Unitholders who are Relevant Intermediaries (as defined in the Companies Act, Chapter 50 of Singapore) may appoint more than two proxies at a meeting of Unitholders, such that indirect investors may be appointed as proxies to participate in Unitholders' meetings. Details on the appointment of proxies are contained in the proxy forms which will be despatched to Unitholders together with the notice of AGM/EGM.

Resolutions submitted at the Unitholders' meetings are separate and not bundled or made inter-conditional on each other, unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are bundled, the Trustee-Manager will explain the reasons and material implications. The tabling of separate resolutions gives Unitholders the right to express their views and exercise their voting rights on each resolution separately. Information is also provided on each resolution to enable Unitholders to exercise their vote on an informed basis. Such information include the Directors' fees framework for the resolution on the payment of Directors' fees, and the background and board committee positions of the relevant Directors for the resolutions on the re-election of Directors.

The Trustee-Manager does not intend to adopt absentia voting methods (e.g. via mail, email or fax) for NetLink NBN Trust and Singapore NBN Trust until issues such as the authentication of unitholder identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, as Unitholders may appoint proxies to attend and vote on their behalf as further mentioned above, the Board is of the view that Unitholders will still be able to participate effectively in and vote at the general meetings even in the absence of absentia voting.

**Provision 11.5:**

***The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.***

Minutes of NetLink NBN Trust's and Singapore NBN Trust's AGM/EGM will be posted on the Trust's website as soon as practicable. The minutes will record substantial and relevant comments or queries from Unitholders relating to the meetings, and responses from the Board and Management. The Trustee-Manager also ensures that all material information relating to the NetLink Group is disclosed in an accurate and timely manner through publication on SGXNET and is made available to everyone, including Unitholders.

## CORPORATE GOVERNANCE

### **Provision 11.6:**

***The company has a dividend policy and communicates it to shareholders<sup>19</sup>.***

NetLink NBN Trust's distribution policy is to distribute 100% of its cash available for distribution, which includes distributions received from its wholly-owned subsidiary, NetLink Trust. NetLink Trust's distribution policy is to distribute at least 90% of its distributable income to NetLink NBN Trust.

### **Engagement with Shareholders**

#### **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.**

#### **Provision 12.1:**

***The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.***

#### **Provision 12.2:**

***The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.***

#### **Provision 12.3:**

***The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.***

The Trustee-Manager is committed to keeping Unitholders and the public fully informed of information that may have a material effect on the price or value of NetLink NBN Trust's units through timely disclosure of information to the SGX-ST via the SGXNET, to assist investors in their investment decisions. The Trustee-Manager has in place a policy on announcements which governs the timely and accurate disclosure of announcements via SGXNET.

The Trustee-Manager actively engages its stakeholders (including Unitholders, fund managers, analysts and the media) through its Investor Relations ("IR") department, which has a dedicated IR policy to promote regular, effective and fair communication with its Unitholders. The IR policy is committed to a two-way process to allow the Trustee-Manager to explain NetLink Group's business as well as to gather feedback. The IR policy sets out the communication tools and practices adopted by the Trustee-Manager, including the protocol for email and phone replies to investor queries. Further details of the IR policy can be found under "Investor Relations" on pages 73 to 75.

The IR team conducts roadshows together with senior Management and participates in one-on-one investor meetings, investor seminars and conferences to keep the market and investors apprised of its financial performance and corporate development. The aim of such meetings is to provide investors with prompt disclosure of relevant information, provide a better understanding of the NetLink Group's operations and financial performance, and to enable investors to make informed investment decisions, as well as to solicit and understand the views of Unitholders. Management makes available all of its briefing materials to the SGX-ST through SGXNET and via NetLink NBN Trust's corporate website at [www.netlinknbn.com](http://www.netlinknbn.com).

Investors can also contact the IR team by email at [investor@netlinknbn.com](mailto:investor@netlinknbn.com). This email address is published on NetLink NBN Trust's corporate website. Further details of the IR activities during FY2019 can be found under "Investor Relations" on pages 73 to 75.

### **Managing Stakeholders Relationships**

#### **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.**

#### **Provision 13.1:**

***The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.***

<sup>19</sup> Rule 704(24) of the Listing Rules requires that in the event that the Board decides not to declare or recommend a dividend, the company must expressly disclose the reason(s) for the decision together with the announcement of the financial statements.

**Provision 13.2:**

**The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.**

**Provision 13.3:**

**The company maintains a current corporate website to communicate and engage with stakeholders.**

The Trustee-Manager takes a strategic and pragmatic approach in managing stakeholders' expectations to support its long-term strategy. A sustainability governance structure and framework was put in place to identify, engage with, and manage material environment, social and governance factors which are important to stakeholders and to the NetLink Group.

The following corporate websites are maintained to communicate and engage with stakeholders:

- [www.netlinknbn.com](http://www.netlinknbn.com)
- [www.netlinktrust.com](http://www.netlinktrust.com)

More information on the NetLink Group's material stakeholders, sustainability efforts (including its strategy and key areas of focus), and performance can be found under "Sustainability Report" on pages 78 to 96.

## ADDITIONAL INFORMATION

### DEALING IN SECURITIES

The Trustee-Manager has adopted an internal compliance Code of Best Practices on Securities Dealings to provide guidance to Directors and employees on dealing in securities of NetLink NBN Trust. For FY2019, the said Code was reviewed vis-à-vis Singapore Exchange Securities Trading Limited's guide on prevention of insider dealing, "*Handling of Confidential Information and Dealings in Securities*", and updated to:

- elaborate on prohibitions under the Securities and Futures Act, Chapter 289 and the Singapore Exchange Securities Trading Limited Listing Rules; and
- stress the importance of prohibitions against insider trading and market misconduct, and the potential civil and criminal sanctions which could result from breach of obligations.

In accordance with the Code of Best Practices on Securities Dealings, Directors and employees are prohibited from dealing in NetLink NBN Trust's securities during the period commencing two weeks before the announcement of NetLink NBN Trust's first, second and third quarter financial results and one month before the announcement of NetLink NBN Trust's full year financial results, and ending on the date of the announcement of the relevant results ("**black-out period**"). Directors and employees are required to confirm annually that they have complied with the said code and quarterly notices are issued to Directors and employees informing them not to deal in NetLink NBN Trust's securities during a black-out period. The said code also discourages dealings on short-term considerations and cautions that it is an offence to deal in NetLink NBN Trust's securities (as well as securities of other listed issuers) while in possession of unpublished price-sensitive information.

In addition, Directors are required to report to the Company Secretaries within two business days whenever they deal in NetLink NBN Trust's securities and the latter will make the necessary announcements in accordance with the requirements of SGX-ST.

### MATERIAL CONTRACTS AND INTERESTED PERSON TRANSACTIONS

There are no material contracts entered into by NetLink NBN Trust or any of its subsidiaries involving the interests of the CEO, any Director, any controlling shareholder of the Trustee Manager, either subsisting or entered into for FY2019, other than:

- contracts as disclosed on pages 238 to 242 of the IPO Prospectus ([www.netlinknbn.com/ipo.html](http://www.netlinknbn.com/ipo.html)); and
- interested person transactions as disclosed on page 169 of this Annual Report.