

CORPORATE GOVERNANCE

The regime under the BTA stipulates requirements and obligations in respect of corporate governance. For example, the BTR sets out the requirements for, among other things, board composition of a trustee-manager, audit committee composition of a trustee-manager and independence of directors of a trustee-manager. The following is a summary of the material provisions of the BTA insofar as they relate to the Board.

COMPOSITION OF THE BOARD

The Board must consist of⁵⁶:

- 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.⁵⁷

Independence of Directors⁵⁸

Independence from management and business relationships

To be considered to be independent from management and business relationships with the Trustee-Manager (whether or not the Trustee-Manager is acting for or on behalf of the Trust), a Director must not have any:

- management relationships with the Trustee-Manager or with any of its subsidiaries; and
- business relationships with the Trustee-Manager or with any of its related corporations, or with any officer of the Trustee-Manager or any of its related corporations,

that could interfere with the exercise of his independent judgment with regard to the interests of all the Unitholders as a whole.

Independence from management relationships

A Director is not considered to be independent from management relationships with the Trustee-Manager if:

- he is employed by the Trustee-Manager or by any of its subsidiaries, or has been so employed, at any time during the current financial year or any of the preceding three financial years of the Trustee-Manager;
- any member of his immediate family:
 - is being employed by the Trustee-Manager or by any of its subsidiaries as an executive officer whose compensation is determined by the Board or the subsidiary, as the case may be; or
 - has been so employed at any time during the current financial year or any of the preceding three financial years of the Trustee-Manager; or
- he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the Trustee-Manager or any of its subsidiaries.

⁵⁶ Section 14(2) of the BTA provides that contravention of the provision on board composition is an offence and renders the Trustee-Manager liable on conviction to a fine not exceeding S\$100,000 and in the case of a continuing offence, to a further fine not exceeding S\$10,000 for every day or part thereof during which the offence continues after conviction.

⁵⁷ Where a single substantial shareholder has an interest in 50.0% or more of the voting shares in the Trustee-Manager, this requirement shall not apply to the Trustee-Manager in respect of the independence of its Directors from that substantial shareholder.

⁵⁸ Regulations 3 and 4 of the BTR.

Independence from business relationships

A Director is not considered to be independent from business relationships with the Trustee-Manager or with any of its related corporations, or with any officer of the Trustee-Manager or any of its related corporations, if:

- he is a substantial shareholder, a director or an executive officer of any corporation, or a sole proprietor or partner of any firm, where such corporation, sole proprietorship or firm carries on business for purposes of profit to which the Trustee-Manager or any of its related corporations has made, or from which the Trustee-Manager or any of its related corporations has received, payments (whether or not the Trustee-Manager is acting for or on behalf of the Trust) at any time during the current or immediately preceding financial year of the Trustee-Manager; or
- he is receiving or has received compensation from the Trustee-Manager or any of its related corporations, other than remuneration received for his service as a director or as an employee of the Trustee-Manager or any of its related corporations, at any time during the current or immediately preceding financial year of the Trustee-Manager.

Independence from substantial shareholder

A Director is considered to be independent from a substantial shareholder of the Trustee-Manager if he is not a substantial shareholder of the Trustee-Manager or is not connected to that substantial shareholder of the Trustee-Manager.

The Director is connected to the substantial shareholder if:

- in the case where the substantial shareholder is an individual, the Director is:
 - a member of the immediate family of the substantial shareholder;
 - a partner of a firm of which the substantial shareholder is also a partner; or
 - accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder; or
- in the case where the substantial shareholder is a corporation, the Director is:
 - employed by the substantial shareholder;
 - employed by a subsidiary or an associated company of the substantial shareholder;
 - a director of the substantial shareholder;
 - an executive director of a subsidiary or an associated company of the substantial shareholder;
 - a non-executive director of a subsidiary or an associated company of the substantial shareholder, where the subsidiary or associated company is not the Trustee-Manager;
 - a partner of a firm of which the substantial shareholder is also a partner; or
 - accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

CORPORATE GOVERNANCE OF THE TRUSTEE-MANAGER

The following outlines the main corporate governance practices of the Trustee-Manager.

Board of Directors

The Board is responsible for the overall corporate governance of the Trustee-Manager including establishing goals for management and monitoring the achievement of these goals. The Trustee-Manager is also responsible for the strategic business direction and risk management of the Trust. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of Directors.

The Board consists of eight members, five of whom are Independent Directors for the purposes of the BTA.

In addition to compliance with requirements under the BTA, the composition of the Board is determined using the following principles:

- the Chairman of the Board should be a non-executive Director; and
- the Board should consist of Directors with a broad range of commercial experience including expertise in the fibre broadband industry and the wider telecommunications industry.

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

The Board will meet quarterly or more often if necessary and will review the financial performance of the Trustee-Manager and the Trust against a previously approved budget. The Board will also review the business risks of the Trust, examine liability management and will act upon any comments from the auditor of the Trust.

Audit Committee

The Audit Committee is required to be composed of three or more members:

- all of whom are independent of management and business relationships with the Trustee-Manager; and
- at least a majority of whom, including the Chairman of the Audit Committee, are independent of management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager.⁵⁹

The members of the Audit Committee are Ms. Koh Kah Sek, Mr. Eric Ang and Mr. Yeo Wico. Ms. Koh Kah Sek has been appointed as the Chairman of the Audit Committee.

The role of the Audit Committee is to develop, maintain and monitor an effective system of internal controls. The Audit Committee 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 external audits in respect of cost, scope and performance. The Audit Committee's responsibilities also include, but are not limited to, the following:

- (a) reviewing the quality and reliability of information prepared for inclusion in the financial reports of the Trust;
- (b) reviewing with the auditor of the Trust:
 - (i) the audit plan of the Trust;
 - (ii) the auditor's evaluation of the system of internal accounting controls of the Trustee-Manager;
 - (iii) the auditor's audit report for the Trust; and
 - (iv) the auditor's management letter and management's response;
- (c) reviewing:
 - (i) the assistance given by the officers of the Trustee-Manager to the auditor of the Trust;
 - (ii) the scope and results of the internal audit procedures of the Trustee-Manager;
 - (iii) the policies and practices put in place by the Trustee-Manager to ensure compliance with the BTA and the Trust Deed; and
 - (iv) 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;

⁵⁹ Section 15(4) of the BTA provides that contravention of the aforesaid requirements is an offence and renders the Trustee-Manager liable on conviction to a fine not exceeding S\$100,000 and in the case of a continuing offence, to a further fine not exceeding S\$10,000 for every day or part thereof during which the offence continues after conviction.

- (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 Audit Committee. 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 Audit Committee will consider whether a conflict of interest does in fact exist. A Director who is a member of the Audit Committee will not participate in any proceedings of the Audit Committee 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 Audit Committee may deem reasonably necessary. Where a conflict of interest does exist, the Audit Committee will resolve or propose, where appropriate, the relevant measures for the management of such conflicts;
- (f) reviewing the balance sheet and profit and loss account of the Trustee-Manager and the balance sheet, profit and loss account and cash flow statement of the 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 Audit Committee 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 Audit Committee becomes aware or that it suspects;
- (h) reporting to the MAS if the Audit Committee 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 Audit Committee'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, at least annually, the adequacy and effectiveness of the Trustee-Manager's internal audit function;
- (n) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Trustee-Manager's and the Trust's 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;
- (o) monitoring and reviewing the implementation of the auditors' recommendations for internal control weaknesses (if any);
- (p) reviewing and approving all hedging policies to be implemented by the Trust Group and monitoring the implementation of such policies, including reviewing the instruments, processes and practices in accordance with such policies approved by the Board; and
- (q) meeting with the external and internal auditors, without the presence of the Executive Officers, at least on an annual basis.

See also "*—Risk Management and Internal Controls*"

The Board is of the opinion, having made all reasonable enquiries and to the best of its knowledge and belief, and the Audit Committee and the Risk and Regulatory Committee concur, having evaluated the sufficiency of the Trust Group's internal controls systems, that the internal controls are adequate to address the financial, operational and compliance risks and information technology controls of the Trust Group.

Nominating and Remuneration Committee

The charter of the nominating and remuneration committee of the Trustee-Manager (the “**Nominating and Remuneration Committee**”) provides that the Nominating and Remuneration Committee shall comprise at least three non-executive Directors, the majority of whom shall be independent (including being independent of management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager). The members of the Nominating and Remuneration Committee are Mr. Chaly Mah, Mr. Irving Tan and Mr. Arthur Lang. Mr. Chaly Mah has been appointed as Chairman of the Nominating and Remuneration Committee. The Nominating and Remuneration Committee’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 as part of the process for the selection, appointment and re-appointment of Directors, considering the composition and progressive renewal of the Board and each Director’s competencies, commitment, contribution and performance;
- (b) making recommendations to the Board on relevant matters relating to the review of board succession plans for Directors, the development of a process for evaluation of the performance of the Board, its Board committees and Directors, to ensure that the size and diversity of the Board and mix of skills and experience of Directors continue to meet the needs of the Trustee-Manager and the Trust and facilitate effective decision making, and the review of training and professional development programmes for the Board;
- (c) reviewing, on an annual basis and as and when circumstances require, whether or not a Director is independent (including being independent of management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager);
- (d) 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, taking into consideration the Director’s number of listed company board representations and other principal commitments;
- (e) 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;
- (f) reviewing the obligations of the Trustee-Manager and the Trust Group arising in the event of the termination of the service contracts of executive Directors and key management personnel, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, and considering the use of contractual provisions to allow the Trustee-Manager or the Trust Group (as the case may be) to reclaim incentive components of remuneration from executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Trust Group; and
- (g) administering and approving awards under the Long Term Incentive Plan and/or other long term incentive schemes to Directors and/or senior executives of the Trust Group.

The Nominating and Remuneration Committee will decide how the Board’s performance is to be evaluated and propose objective performance criteria which address how the Board has enhanced long-term Unitholder value. The Nominating and Remuneration Committee will also carry out a performance evaluation process for assessing the effectiveness of the Board as a whole and for assessing the contribution by the Chairman of the Board and each individual Director to the effectiveness of the Board and decide whether or not a Director is able to and has been adequately carrying out his duties as a Director. The Chairman of the Nominating and Remuneration Committee will act on the results of the performance evaluation of the Board, and selections of members of the Board, in consultation with the Nominating and Remuneration Committee.

In addition, the Nominating and Remuneration Committee also periodically considers and reviews remuneration packages in order to maintain their attractiveness, to retain and motivate the Directors and to align the interests of management with the Trustee-Manager and Unitholders.

Each member of the Nominating and Remuneration Committee shall abstain from voting on any resolutions in respect of the matter in which he has an interest.

Risk and Regulatory Committee

The charter of the risk and regulatory committee of the Trustee-Manager (the “**Risk and Regulatory Committee**”) provides that the Risk and Regulatory Committee shall comprise at least three Directors, the majority of whom shall be non-executives and independent (including being independent of management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager). The members of the Risk and Regulatory Committee are Mr. Sean Slattery, Mr. Chaly Mah and Mr. Eric Ang. Mr. Chaly Mah and Mr. Eric Ang are considered to be independent of management and business relationships with the Trustee-Manager and independent from every substantial shareholder of the Trustee-Manager (see “*The Trustee-Manager—The Trustee-Manager of the Trust—Independence of the Independent Directors*”). Mr. Sean Slattery has been appointed as Chairman of the Risk and Regulatory Committee. The Risk and Regulatory Committee’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 Trust Group, and reviewing the Trustee-Manager’s and the Trust 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 Trust Group’s overall risk tolerance and strategy;
- (c) reviewing the risk management processes and activities of the Trustee-Manager and the Trust 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 Trust Group’s internal controls and risk management systems and reviewing and approving the statements to be included in the annual report of the Trust concerning the effectiveness of the Trustee-Manager’s and the Trust Group’s internal control and risk management systems;
- (e) reviewing the Trust’s compliance in respect of:
 - (i) the control and ownership restrictions set out in the FBO licence granted jointly to the Trustee-Manager and the NLT Trustee by IMDA;
 - (ii) the Capex Reserve Requirement; and
 - (iii) the restrictions on services offered by the Trust as set out in the FBO licence granted jointly to the Trustee-Manager and the NLT Trustee by IMDA; and
- (f) providing guidance and recommendations to the Board on strategic regulatory matters.

Each member of the Risk and Regulatory Committee shall abstain from voting on any resolutions in respect of the matter in which he has an interest.

Risk Management and Internal Controls

The Trust Group has implemented an enterprise risk management 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. In adopting ISO 31000: 2009 (Risk Management Principles and Guidelines), the Trust 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 Trust Group;
- (c) an effective system of internal controls;
- (d) a culture of risk awareness at all levels within the Trust Group; and
- (e) successful business performance.

The Trust Group has established a Risk and Regulatory Committee, which 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 Risk and Regulatory Committee, the Audit Committee is involved in monitoring management's efforts in managing financial and financial reporting-related risks, and internal controls, and liaises closely with the Risk and Regulatory Committee. Information is shared on a regular basis between the Audit Committee and the Risk and Regulatory Committee, and in this regard, the appointment of Mr. Eric Ang as a member of both the Audit Committee and the Risk and Regulatory Committee enhances information sharing between these two board committees.

KPMG Services Pte. Ltd. was engaged by the Trust Group to assist in the development and implementation of an enterprise risk management framework that, among other things, aims to identify the significant risks facing the Trust Group, the potential impact and likelihood of those risks occurring, the adequacy of the Trust Group's internal controls and the action plans taken to mitigate such risks. Further, the Trust Group maintains a risk register that sets out the key risks and key risk indicators that the Trust Group faces. The Risk and Regulatory Committee also ensures that the risks relevant to the Trustee-Manager and the Trust Group are properly identified, including those risks inherent in the Trustee-Manager's and the Trust Group's business model and strategy, and reviews the risk management processes of the Trustee-Manager and the Trust Group to mitigate and manage such risks. See "*—Risk and Regulatory Committee*".

The Trust Group's internal audit function has been outsourced to KPMG Services Pte. Ltd. The internal auditors report directly to the chairman of the Audit Committee. Any material non-compliance or failures in internal controls and recommendations for improvements are reported by the internal auditors to the Audit Committee. The Trust Group's external auditor prepares 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 Audit Committee for its review and concurrence. The Trust Group's external auditor also reports to the Audit Committee 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 Audit Committee reviews, among others, the adequacy and effectiveness of the Trustee-Manager's internal audit function at least annually, and the scope and results of the external audit and its cost effectiveness. See "*—Audit Committee*".

Dealings in Units

Under the SFA, each Director and the Chief Executive Officer is required to give notice in writing to the Trustee-Manager using the forms prescribed by the Authority (which are available at www.mas.gov.sg) of, among other things, particulars of his interest in Units or of changes in the number of Units which he has an interest, within two Business Days after the date on which the Director or Chief Executive Officer became a director or CEO of the Trustee-Manager or the date on which he acquires an interest in the Units or he becomes aware of the occurrence of the event giving rise to changes in the number of Units in which he has an interest.

All dealings in Units by Directors and the Chief Executive Officer will be announced via SGXNET, with the announcement to be posted on the Internet at the SGX-ST website <http://www.sgx.com>.

The Directors and employees of the Trustee-Manager are, as a matter of internal policy, prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of the Trust's annual results and two weeks before the public announcement of the Trust's quarterly results, and expiring on the date of announcement of the relevant results; and
- at any time while in possession of price sensitive information.

Where the Trustee-Manager has been notified by a Director or Chief Executive Officer pursuant to the unitholding disclosure requirements of the SFA as set out above, the Trustee-Manager will announce such information on SGXNET as soon as practicable and in any case no later than the end of the Business Day following the day on which the Trustee-Manager received the notice.

In addition, the SFA requires the Trustee-Manager to announce to the SGX-ST the particulars of its holdings in the Units and any changes thereto as soon as practicable and in any case no later than the end of the Business Day following the day on which it acquires or, as the case may be, disposes of any Units.