

CORPORATE GOVERNANCE

First Real Estate Investment Trust (“**First REIT**”), constituted as a real estate investment trust, is externally managed by First REIT Management Limited (in its capacity as manager of First REIT) (the “**Manager**”) and accordingly, has no personnel of its own. The Manager has the responsibility of managing the business conducted by First REIT and is dedicated to maintaining good standards of corporate governance.

This report sets out the Manager’s corporate governance practices for the financial year ended 31 December 2022 (“**FY2022**”). The Manager is pleased to report that it has complied with the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the “**MAS**”) (“**Code**”) in all material respects and to the extent that there are any deviations from the Code, the Manager will provide explanations for such deviation and details of the alternative practices which have been adopted by First REIT which are consistent with the relevant principle of the Code.

THE MANAGER OF FIRST REIT

The Manager has general powers of management over the assets of First REIT. The Manager’s main responsibility is to manage the assets and liabilities of First REIT in the best interests of First REIT’s unitholders (the “**Unitholders**”).

The primary role of the Manager is to set the strategic direction of First REIT. This includes making recommendations to Perpetual (Asia) Limited, in its capacity as trustee of First REIT (the “**Trustee**”), on any acquisition, divestment or enhancement of assets of First REIT. The research, analysis and evaluation required for the above purposes are co-ordinated and carried out by the Manager. The Manager is also responsible for the risk management of First REIT.

Other functions and responsibilities of the Manager include:

- (i) using its best endeavours to carry on and conduct its business in a proper and efficient manner and to conduct all transactions with, or on behalf of First REIT, at arm’s length and on normal commercial terms;
- (ii) preparing property plans on a regular basis which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanation of major variances to approved budgets, written commentary on key issues and any other relevant assumptions. The purpose of these plans is to explain the performance of First REIT’s properties;
- (iii) ensuring compliance with applicable requirements, laws and regulations, such as those set out in the listing manual of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”, and the listing manual of the SGX-ST, the “**Listing Manual**”), the Code on Collective Investment Schemes (the “**CIS Code**”) issued by the MAS (including Appendix 6 of the CIS Code (the “**Property Funds Appendix**”), the Capital Markets Services Licence (“**CMS Licence**”) for real estate investment trust (“**REIT**”) management issued by the MAS, the Securities and Futures Act 2001 (“**SFA**”), the Securities and Futures (Licensing and Conduct of Business) Regulations (the “**SFLCB Regulations**”), the Code, the Singapore Financial Reporting Standards and any tax ruling and all relevant contracts, as well as ensuring that the Manager’s obligations under the trust deed constituting First REIT dated 19 October 2006 (as amended, supplemented or varied) (the “**Trust Deed**”) are properly carried out; and
- (iv) attending to all regular communication with Unitholders.

The Manager has been granted a CMS Licence by the MAS and its officers are authorised representatives under the SFA. The Manager appoints experienced and well-qualified management personnel to handle the day-to-day operations of the Manager.

The Manager was appointed in accordance with the terms of the Trust Deed. The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed. The Trust Deed will also be available for inspection at the registered office of the Manager during normal business hours⁽¹⁾ for so long as First REIT continues to be in existence.

⁽¹⁾ Prior appointment with the Manager (telephone: +65 6435 0168 or email: ir@first-reit.com)

The Manager is 40% directly held by OUE Lippo Healthcare Limited (“**OUELH**”) and 60% directly held by OUE Limited (“**OUE**”). The Manager’s association with OUELH and OUE allows First REIT to be able to leverage on them to entrench its network and affiliations in the Asia Pacific region to pursue new avenues of growth and collaborations in the future.

BOARD MATTERS

Principle 1: Board’s Conduct of its Affairs

The board of directors of the Manager (the “**Directors**”, and the board of Directors, the “**Board**”) is entrusted with the responsibility of overall management of the Manager. The Board is responsible for the overall corporate governance of the Manager, including establishing goals for the management team of the Manager (“**Management**”) and monitoring the achievement of these goals. The Manager is headed by an effective Board, which is collectively responsible and works with Management for the strategic business direction, risk management and the long-term success of First REIT. All Board members participate in matters relating to corporate governance, business operations and risk management, financial performance and sustainability issues. All Directors are fiduciaries who act objectively in the best interests of First REIT, and hold Management accountable for performance. The Manager has adopted the OUE group’s Code of Business Conduct and Ethics which embodies the Manager’s commitment to conduct its business in accordance with all applicable laws, rules and regulations and the highest ethical standards. The Code of Business Conduct and Ethics is intended to help employees make the right decision or ask the right questions, and all employees are required to read, understand and comply with the Code of Business Conduct and Ethics to be cognisant of the standards expected and to ensure proper accountability within the Manager. This sets the appropriate tone-from-the-top in respect of the desired organisational culture and ensures proper accountability.

Directors (whether individually or as a group) have separate and independent access to Management and the company secretary of the Manager (the “**Company Secretary**”). The Company Secretary and/or his nominee attends all Board and Board Committee (as defined herein) meetings. The appointment and removal of the Company Secretary is a decision of the Board as a whole. In addition, the Directors, either individually or as a group, in furtherance of their duties, may seek and obtain independent professional advice (where necessary), at the Manager’s expense.

The Manager has adopted guidelines, details of which are also set out in this report, for Related Party Transactions (as defined herein) and dealing with conflicts of interests. Where a Director is conflicted in a matter, he or she will recuse himself or herself from the deliberations and abstain from voting on the matter. The Board is supported by the Audit and Risk Committee (“**ARC**”) and Nominating and Remuneration Committee (“**NRC**”, and together with the ARC, the “**Board Committees**”) in discharging its responsibilities. The composition of the Board Committees is set out on pages 85 and 96, and the Corporate Information page of this Annual Report. The Board has delegated specific responsibilities to these Board Committees and their duties are described in this report. The compositions, duties, authorities and accountabilities of each Board Committee are set out in their respective written terms of reference. While these Board Committees have the authority to examine particular issues in their respective areas, the Board Committees report to the Board with their decisions and/or recommendations as the ultimate responsibility on all matters lies with the entire Board.

The Manager has adopted internal guidelines whereby certain key matters are specifically reserved for the Board’s approval, such as business strategy and planning, acquisitions and disposal of properties, material financial commitments, loan facilities, distribution to Unitholders and maintaining a framework of prudent and effective controls, including a system of internal controls and an enterprise risk management (“**ERM**”) framework. The Manager has also adopted a framework of delegated authorisation, as set out in its Limits of Authority (“**LOA**”). The LOA sets out the procedures and levels of authorisation required for specified transactions. It also sets out approval limits for operating and capital expenditure. The LOA also contains a schedule of matters specifically reserved for the Board’s approval, which includes approval of annual business plans, operating budgets, statutory accounts, declaration of distribution per unit, and material transactions, namely, major acquisitions, joint ventures, strategic alliances, investment proposals, establishment of banking facilities and corporate restructuring. Matters specifically reserved for the Board’s approval are clearly communicated to Management in writing.

CORPORATE GOVERNANCE

The Board and Board Committees meet to review the Manager's key activities. Board meetings are held quarterly (or more often if necessary) to discuss and review the strategies and policies of First REIT, including any significant acquisitions and disposals, the annual budget, the financial performance of First REIT against previously approved budget, and to approve the release of the quarterly business updates and the half-year and full-year results. The Board also reviews the risks to the assets of First REIT and acts judiciously upon any comments from the auditors of First REIT.

During the financial year under review, the Board had 4 meetings. The Board has continued to work closely with Management in reviewing the business opportunities and challenges as the markets in which First REIT operates transition to a COVID-19 endemic environment. In addition, the Board has been paying close attention to First REIT's property and other expenses and capital management, taking into account high inflation and increasing interest rates.

FY2022 presented a challenging real estate investment environment resulting from global inflationary pressures, rising interest rates, exchange rate volatility, and geopolitical risks. However, the Board's agility and resolve was vital in ensuring that First REIT continues to seize new opportunities and stay resilient amid uncertainties in the financial landscape. This was reflected in First REIT's acquisition of 14 nursing homes in Japan as part of its strategy to diversify into developed markets, and the re-financing exercises during the year including the issuance of the 5-year fixed rate social bonds guaranteed by the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank, and the securing of new social term loans and revolving credit facilities.

Provision of Information to the Board and Board's Access to Independent Professional Advice

Management provides the Board with complete and adequate information in a timely manner, including board papers, budget, forecasts and management accounts, and on an ongoing basis. As a general rule, board papers are sent to Board members at least 7 days before the Board or Board Committee meeting in order to give Directors ample time to prepare for the meetings, make informed decisions and discharge their duties and responsibilities. This will enable them to attend and actively participate in discussions by perusing the contents of the reports and papers to be presented during the Board and Board Committee meetings, and provide an opportunity for relevant questions and discussions. Proposals on certain corporate undertakings are likewise provided to the Directors prior to the Board meetings set for this purpose. The Management is also required to furnish any additional information, when so requested by the Board, as and when the need arises. As part of the Manager's sustainability efforts, the Board and Board Committees papers are uploaded onto a secured electronic platform. Directors can access these papers via their personal computers, laptops, smartphones and other mobile devices prior to, during and after meetings. The Manager has ceased to provide hard copy of these papers. The Board reviews management reports and feasibility studies on individual development projects prior to approving major transactions. When necessary, additional Board meetings are held to address significant transactions or issues. The Constitution of the Manager provides for Board meetings to be held by way of telephone conference and videoconference. If required, time is set aside for discussions amongst the non-executive and/or independent members of the Board without the presence of Management, in line with the provisions of the Code. The Board and Board Committees may also make decisions by way of circulating resolutions.

Newly appointed Directors are briefed by Management on the industry, business activities and strategic directions of First REIT and all relevant provisions that they need to comply with as well as their various duties as an executive, non-executive or independent director, where applicable, and induction, development, orientation and training programmes as well as site visits are organised for new Directors to ensure that they are familiar with the Manager's business and governance practices. Site visits to properties located overseas are organised to familiarise Directors with First REIT's properties and to facilitate better understanding of the assets' operations. Under Rule 210(5)(a) of the Listing Manual, a newly-appointed Director who has no prior experience as a director of an issuer listed on the SGX-ST will also be required to undergo mandatory training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST, unless the NRC is of the view that training is not required because he or she has other relevant experience.

Directors are encouraged to participate in industry conferences, seminars and training programmes. Such training includes training sponsored by the SGX-ST, the Accounting and Corporate Regulatory Authority, Singapore Institute of Directors (“**SID**”), REIT Association of Singapore (“**REITAS**”), and Singapore Business Federation. The Directors may also receive further relevant training of their choice in connection with their duties as directors and the development and maintenance of their skills and knowledge, at the Manager’s expense. On an ongoing basis, Directors were also briefed on any changes to regulations, policies and accounting standards that affects First REIT or have an important bearing on the Manager’s or Directors’ disclosure obligations during Board meetings. They are also given unrestricted access to professionals for consultation as and when they deem necessary at the Manager’s expense. During FY2022, the Directors were briefed on the relevant regulatory and legislative changes including topics related to sanctions, Singapore listed company governance and an update on geo-political and macroeconomic developments.

Under Rule 720(7) of the Listing Manual, an issuer must have all directors undergo training on sustainability matters as prescribed by the SGX-ST. As at the date of this report, all the Directors have attended the mandatory training on sustainability matters.

The NRC makes recommendations to the Board on relevant matters relating to the review of training and professional development programs for the Board.

The number of Board, ARC, NRC and general meetings held in FY2022 and the attendance by each of the Directors at these meetings are set out below:

	Board Meetings	Audit and Risk Committee Meetings	Nominating and Remuneration Committee Meetings	General Meetings
	No. of meetings held in FY2022: 4	No. of meetings held in FY2022: 4	No. of meetings held in FY2022: 1	No. of meetings held in FY2022: 3
Name of Director	Attended	Attended	Attended	Attended⁽¹⁾
Mr Christopher James Williams	4	NA	NA	3
Mr Tan Kok Mian Victor	4	NA	NA	3
Mr Chan Pengee Adrian	4	4	1	3
Mr Ferris Charles Bye	4	4	NA	3
Mr Tan Chuan Lye	4	4	1	3
Mr Martin Lechner	4	4	NA	3
Ms Minny Riady	4	NA	1	3

⁽¹⁾ The extraordinary general meetings held on 28 January 2022 and 25 July 2022 and the annual general meeting held on 25 April 2022 were each convened and held by way of electronic means. These Directors were in attendance via electronic means.

CORPORATE GOVERNANCE

Principle 2: Board Composition and Guidance

The Board presently comprises seven Directors, of whom four are independent Directors of the Manager (“**Independent Directors**”). Accordingly, more than half of the Board is made up of Independent Directors.

The composition of the Board as at the date of this report are as follows:

Mr Christopher James Williams (Chairman)	(Non-Independent Non-Executive Director)
Mr Tan Kok Mian Victor	(Executive Director and Chief Executive Officer (“ CEO ”))
Mr Chan Pengee Adrian	(Lead Independent Director)
Mr Ferris Charles Bye	(Independent Director)
Mr Tan Chuan Lye	(Independent Director)
Mr Martin Lechner	(Independent Director)
Ms Minny Riady	(Non-Independent Non-Executive Director)

As the current Chairman of the Board, Mr Christopher James Williams, is a Non-Independent Non-Executive Director, Mr Chan Pengee Adrian has been appointed as Lead Independent Director. The Lead Independent Director provides leadership in situations where the Chairman of the Board is conflicted and is available to Unitholders where they have concerns and for which contact through the normal channels of communication with the Chairman of the Board or Management has failed to resolve or is inappropriate or inadequate. As the Lead Independent Director, Mr Chan Pengee Adrian has the discretion to hold and lead meetings with the other Independent and/or Non-Executive Directors without the presence of the Management regularly and to provide feedback to the Chairman of the Board after such meetings as appropriate. Mr Chan Pengee Adrian is also the Chairman of the NRC.

No alternate Director had been appointed to the Board during FY2022.

The composition of the Board (including selection of candidates for new appointments as part of the Board’s renewal process) is determined using the following provisions:

- the Chairman of the Board can be an Independent Director or a Non-Independent Director, provided that where the Chairman of the Board is a Non-Independent Director, a Lead Independent Director will also be appointed in line with the Code;
- the Board should comprise Directors with a broad range of commercial experience, including expertise in fund management, legal and the finance industry, as well as other relevant factors including age and gender;
- Independent Directors make up one-third of the Board, or if the Chairman of the Board is not independent, a majority of the Board; and
- Non-Executive Directors make up a majority of the Board.

Board Diversity

The Board is of the view that its current composition comprises persons who as a group, provide the necessary core competencies and that the current Board size is appropriate, to facilitate effective decision making, robust deliberations and discussions and effective oversight over Management. The Board will continue to review its composition periodically, taking into account the need for progressive renewal of the Board, to ensure that the Board has the 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 Manager recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of the Board’s performance, and in supporting First REIT’s strategic objectives and sustainable development. The Board has implemented a board diversity policy (the “**Board Diversity Policy**”) which takes into account relevant measurable objectives such as skills, experience and knowledge, gender, age, length of service, ethnicity and other

relevant factors. It is paramount that the Manager continues to maintain the appropriate balance and mix of skills, knowledge and experience on the Board to support the needs and long-term sustainability of First REIT's businesses. When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the NRC will consider candidates on merit against objective criteria set by the Board after having given due regard to the benefits of diversity and the needs of the Board.

At the recommendation of the NRC and in recognition of the merits of gender diversity, the NRC has committed to (1) a target of having at least 25% female directors which would allow for a significant female representation on the Board, and (2) ensuring female candidates are included for consideration when identifying suitable candidates for new appointment to the Board. The Board will strive to achieve the stated gender diversity in the course of the progressive renewal of the Board by no later than 2030.

The current Board composition also reflects a diversity of skills, experience and knowledge, comprising business leaders and professionals from varied backgrounds, and other aspects of diversity such as age, length of tenure, nationality and gender, contributing to improved risk management and more robust decision making for the strategic future of First REIT. In particular, in view that First REIT's portfolio is located across the region, the Board comprises a significant proportion of Directors from a diverse geographical background to better serve the needs of First REIT. The Board composition in terms of age group, independence, tenure, gender and nationality as at 31 December 2022 is as follows:



CORPORATE GOVERNANCE

The Board, taking into account the views of the NRC, considers that the current Board comprises persons with diverse business experiences and backgrounds who as a group, possess an appropriate balance and diversity necessary to manage and contribute effectively to the Manager and First REIT. In this regard, the Directors are corporate and business leaders and professionals with varied background, expertise and experience in areas including real estate, finance (including tax, accounting and audit), healthcare, law, fund management, capital markets and business management. Collectively, they have core competencies spanning the relevant areas of First REIT's businesses and operations across the healthcare and healthcare-related real estate sectors. The ongoing Board renewal process results in a Board with staggered tenure for the independent Directors. This provides continuity and stability for the conduct of Board matters while also ensuring the ability to have different perspectives and insights to meet the changing business environment of First REIT. Furthermore, as First REIT has properties in Indonesia and Japan and it may invest overseas, the Board's diversity in its geographical background and experience has provided the Manager with international experience and insights, as well as in-depth understanding of First REIT's investments and businesses in such countries. In identifying candidates for appointment to the Board, the range of diversity perspectives mentioned above will be taken into account. The different geopolitical savvy and the different skillsets and expertise of the Board have allowed the Board to better navigate the COVID-19 crisis, including considering the various issues faced by First REIT more holistically.

The NRC remains committed to implementing the Board Diversity Policy and any progress made towards the implementation of the board diversity policy will be reported to the Board on an annual basis and disclosed in future annual reports, as appropriate.

Under the Code, for First REIT, an "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the Manager, its related corporations, its substantial shareholders, or its officers or substantial Unitholders that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of First REIT. In addition, under the Listing Manual and the SFLCB Regulations, an independent director is one who (i) is independent from any management and business relationship with the Manager and First REIT, (ii) is independent from any substantial shareholder of the Manager and any substantial Unitholder, (iii) is not a substantial shareholder of the Manager or a substantial Unitholder, (iv) has not served on the Board for a continuous period of nine years or longer and (v) is not employed or has been employed by the Manager or First REIT or any of their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or First REIT or any of their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board. Based on a review of the relationships between the Directors, the Manager and First REIT in accordance with the requirements of the Code, the Listing Manual and the SFLCB Regulations, the Board considers Mr Chan Pengee Adrian, Mr Tan Chuan Lye, Mr Martin Lechner and Mr Ferris Charles Bye to be independent. Further details on the review of the Director's independence is found on page 88 of this Annual Report.

The Non-Executive and Independent Directors' contribute to the Board by monitoring and reviewing Management's performance. For the financial year under review, the Non-Executive, Independent and Non-Independent Directors have constructively challenged Management's proposals and decisions and reviewed Management's performance. They have unrestricted access to Management for any information that they may require to discharge their oversight function effectively. As Non-Executive Independent Directors constitute a majority of the Board, objectivity on Board's deliberations is assured.

Principle 3: Chairman and Chief Executive Officer

The positions of Chairman of the Board and CEO are held by separate individuals in order to maintain effective segregation of duties. The separation of responsibilities between the Chairman of the Board and CEO ensures an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Board has established and set out in the terms of reference in relation to the Chairman of the Board, CEO and Lead Independent Director, the division of responsibilities between the Chairman of the Board and the CEO. Mr Christopher James Williams is a Non-Independent Non-Executive Director and Chairman of the Board while the CEO, Mr Tan Kok Mian Victor, is an Executive Director. The Chairman of the Board and CEO are not related to each other. The Chairman of the Board is also not part of Management.

There is a clear segregation of responsibilities between the leadership of the Board and Management, no one individual has unfettered power of decision making.

As Chairman of the Board, Mr Christopher James Williams also promotes and leads the Manager in its commitment to achieve and maintain high standards of corporate governance. He bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting the agenda for Board meetings with input from Management, ensuring sufficient allocation of time for thorough discussion of key agenda items at Board meetings, promoting an open environment within the Boardroom for constructive debate, encouraging the non-executive Directors to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At AGMs and other Unitholders' meetings, he plays a pivotal role in fostering constructive dialogue between Unitholders, the Board and Management.

The CEO has full executive responsibilities over the business directions and operational decisions concerning the management of First REIT. He works closely with the Board to implement the policies set by the Board to realise the Manager's vision. The CEO provides leadership and guidance to Management in order to meet the strategic and operational objectives of First REIT. He develops and manages good relationships with the stakeholders, such as Unitholders, the regulators and the investment community.

Principle 4: Board Membership

The NRC comprises three members, a majority of whom (including the Chairman of the NRC) are Independent Directors and all of whom are Non-Executive Directors.

The members of the NRC as at the date of this report are as follows:

Mr Chan Pengee Adrian (Chairman of the NRC)	(Lead Independent Director)
Mr Tan Chuan Lye	(Independent Director)
Ms Minny Riady	(Non-Executive Non-Independent Director)

During the financial year under review, the NRC had 1 meeting.

The NRC is guided by its terms of reference which has been updated to be in line with the Code. The NRC's responsibilities include but are not limited to:

- making recommendations to the Board on the appointment and re-appointment of Directors (including alternate directors, if applicable), the composition and size of the Board taking into consideration the Board Diversity Policy and the balance between Executive and Non-Executive Directors and between Independent and Non-Independent Directors appointed to the Board;
- reviewing and making plans for succession of Directors, in particular, the appointment and/or replacement of the Chairman of the Board, the CEO and the key management personnel;
- determining annually, and as and when required, the independence of a Director;
- making recommendations to the Board on the process and objective performance criteria for assessing the performance and effectiveness of the Board as a whole, the Board Committees and the contribution of each Director to the effectiveness of the Board;
- reviewing the training and professional development of the Board and to ensure that new directors are aware of their duties and obligations as directors of the Manager;
- ensuring that the Manager is transparent in its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation;
- reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel;

CORPORATE GOVERNANCE

- recommending to the Board a framework of remuneration covering all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, unit-based incentives and awards and benefits-in-kind for each member of the Board and key management personnel; and
- reviewing the Manager's obligations to ensure that contracts of service of CEO and key management personnel contain fair and reasonable termination clauses which are not overly generous.

Process for Appointment of New Directors

In its selection, appointment and re-appointment process, the Board, through NRC, will consider core competencies such as accounting, business acumen, familiarity with regulatory requirements and knowledge of risk management, audit and internal controls, as well as other aspects of diversity such as gender and age.

Renewal or replacement of Board members does not necessarily reflect their contributions to date but may be driven by the need to position and shape the Board in line with the evolving needs of First REIT and the Manager. The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is under continuous review.

As part of the search and nomination process for new Directors, the NRC will identify the relevant or desired skills, experience and other attributes that potential candidates should possess and may engage independent search companies if necessary, as well as leverage on business and other contacts. The NRC also takes into consideration whether a candidate had previously served on the board of companies with adverse track records or a history of irregularities, the MAS's fit and proper criteria for such appointment, and assesses whether a candidate's resignation from the board of any such company would cast any doubt on his or her ability to act as a Director of the Manager. Shortlisted candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies. In addition, as part of the regulatory requirements, the MAS must approve any change of CEO or the appointment of any Director. Directors of the Manager are not subject to periodic retirement by rotation.

Additionally, in the recruitment of Directors, the NRC is mindful of the importance of ensuring that the Board is well balanced and diverse. The details of the board diversity policy adopted by the NRC is set out above under "Principle 2: Board Composition and Guidance".

The selection and nomination process involves the following:

- (a) in carrying out its review, the NRC will take into account that the Board composition should reflect balance in matters such as skill representation and experience, tenure, management experience, gender, age, ethnicity and other relevant factors;
- (b) the NRC will identify suitable candidates for appointment to the Board having regard to the skills required and the skills represented on the Board, and will consider the candidate's track record, experience and capabilities or such other factors including age and gender, as may be determined by the NRC to be relevant and which would contribute to the Board's collective skill set;
- (c) external consultants may be used from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria, including the nominee's track record, background, experience, professional skills, financial literacy, core competencies and personal qualities. The NRC and the Board will also consider whether a candidate's skills and experience will complement the existing Board and whether the candidate has sufficient time available to commit to his responsibilities as a Director; and
- (d) the NRC will make recommendations to the Board on candidates it considers appropriate for appointment.

Where Directors step down from the Board, cessation announcements providing detailed reason(s) for the cessation are released on SGXNet in compliance with the requirements of the Listing Manual.

Directors' Time Commitment

In determining whether a Director has been adequately carrying out his/her duties as a director of the Manager, the NRC takes into account the assessments of the individual Director's effectiveness and his/her actual conduct on the Board. Further, the NRC believes that setting a maximum limit on the number of directorships a Director can hold is arbitrary, given that time requirements for each board may vary, and thus should not be prescriptive. Instead, a qualitative and holistic approach is taken. The number of directorships each Director holds should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as his/her individual capacity, whether he/she is in full-time employment, the nature of his/her other responsibilities and his/her near term plan regarding some of the other appointments. A Director with multiple directorships is expected to ensure that he/she can devote sufficient time and attention to the affairs of the Manager. Notwithstanding that the Directors have multiple listed company board representations and/or other principal commitments, the NRC has assessed each individual Director on his/her continuous contribution and commitment to the role and considered factors including but not limited to such Director's attendance at all the Board meetings in FY2022. The Board and NRC are satisfied that all Directors have discharged their duties adequately for FY2022.

Review of Directors' Independence

The independence of each Independent Director is reviewed annually by the NRC based on the criteria as set out in the Code, the Listing Manual and the SFLCB Regulations. The Independent Directors are required to declare their independence annually and disclose to the Board any relationships or appointments which would impair their independence. The following further sets out the assessment of each Director's independence against the requirements under the SFLCB Regulations:

CORPORATE GOVERNANCE

Name of Director	(i) had been independent from the management of the Manager and First REIT during FY2022	(ii) had been independent from any business relationship with the Manager and First REIT during FY2022	(iii) had been independent from every substantial shareholder of the Manager and every substantial Unitholder of First REIT during FY2022	(iv) had not been a substantial shareholder of the Manager or a substantial Unitholder of First REIT during FY2022	(v) has not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2022
Mr Christopher James Williams ⁽¹⁾	✓	–	–	✓	✓
Mr Tan Kok Mian Victor ⁽²⁾	–	✓	–	✓	✓
Mr Chan Pengee Adrian ⁽³⁾	✓	–	✓	✓	✓
Mr Ferris Charles Bye	✓	✓	✓	✓	✓
Mr Tan Chuan Lye	✓	✓	✓	✓	✓
Mr Martin Lechner	✓	✓	✓	✓	✓
Ms Minny Riady ⁽⁴⁾	✓	–	–	✓	✓

⁽¹⁾ Mr Christopher James Williams is a director of OUE, which is a substantial shareholder of the Manager and a substantial Unitholder. As such, during FY2022, pursuant to the SFLCB Regulations, Mr Williams is deemed (i) to have a business relationship with the Manager and First REIT; and (ii) to be connected to a substantial shareholder of the Manager and a substantial Unitholder. The Board is satisfied that, as at 31 December 2022, Mr Williams was able to act in the best interests of all the Unitholders as a whole. As at 31 December 2022, Mr Williams was able to act in the best interests of all the Unitholders as a whole.

⁽²⁾ Mr Tan Kok Mian Victor is currently the CEO and Executive Director of the Manager. The Manager is a subsidiary of OUE. As such, during FY2022, pursuant to the SFLCB Regulations, Mr Tan is deemed (i) to have a management relationship with the Manager and First REIT; and (ii) to be connected to a substantial shareholder of the Manager and a substantial Unitholder. The Board is satisfied that, as at 31 December 2022, Mr Tan was able to act in the best interests of all the Unitholders as a whole. As at 31 December 2022, Mr Tan was able to act in the best interests of all the Unitholders as a whole.

⁽³⁾ Mr Chan Pengee Adrian is Head of the Corporate Department and senior partner of Lee & Lee which is one of the Singapore law firms providing legal services to OUE group. OUE group wholly-owns the Manager. As such, during FY2022, pursuant to the SFLCB Regulations, Mr Chan is deemed to have a business relationship with the Manager. Nonetheless, the Board has in its review taken into consideration:

- Mr Chan having declared that he does not hold a substantial partnership interest (less than 10%) in Lee & Lee and the legal fees which Lee & Lee receives from OUE group are insubstantial in relation to Lee & Lee's overall revenue.
- Mr Chan does not personally represent First REIT in relation to any legal work by Lee & Lee for First REIT.
- Mr Chan is not involved in the selection and appointment of legal counsels for First REIT.

Based on the above, the Board, having taken into account the views of the NRC, is of the view that Lee & Lee's business relationship with OUE group should not interfere with Mr Chan's ability to exercise independent judgment and Mr Chan should be treated as an Independent Director. The Board is satisfied that, as at 31 December 2022, Mr Chan was able to act in the best interests of all the Unitholders as a whole. As at 31 December 2022, Mr Chan was able to act in the best interests of all the Unitholders as a whole.

⁽⁴⁾ Ms Minny Riady is the sister of Mr James Tjahaja Riady and Dr Stephen Riady who are substantial shareholders of the Manager and substantial Unitholders. As such, during FY2022, pursuant to the SFLCB Regulations, Ms Riady is deemed to be connected to a substantial shareholder of the Manager and a substantial Unitholder. The Board is satisfied that, as at 31 December 2022, Ms Riady was able to act in the best interests of all the Unitholders as a whole. As at 31 December 2022, Ms Riady was able to act in the best interests of all the Unitholders as a whole.

The NRC is satisfied that there are no relationships or circumstances identified in the Code, the Listing Manual and the SFLCB Regulations which affect or would likely affect the independent judgment of the Independent Directors and their ability to act in the best interests of all Unitholders as a whole.

Principle 5: Board Performance

The Manager believes that Board performance is ultimately reflected in the long-term performance of First REIT. The Board has in place a process for evaluating the performance of the individual director, Board and Board Committees.

For FY2022, the evaluation was conducted internally. However, the NRC has the discretion to engage external consultants to conduct the evaluation, if it deems necessary. In respect of the Board and Board Committees evaluation, a collective assessment is conducted annually by means of a questionnaire individually completed by each Director. The evaluation categories covered in the questionnaire include Board composition and competency, Board information, Board process, Board accountability, performance benchmarking, Management communications, standard of conduct, risk management and internal controls. The results of this assessment is collated by the Company Secretary and discussed by the NRC and the Board. Based on feedback from the Directors in the questionnaire, recommendations are implemented to further enhance the effectiveness of the Board, where appropriate. The Board believes that the collective performance of the Board and that of individual Board members are reflected in the proper guidance, diligence oversight and leadership which the Board provides to Management as well as the long-term performance of First REIT. The Board is also able to assess the Board Committees through their regular reports to the Board on their activities. Pursuant to the Board evaluation process, the Board is satisfied that it has achieved its performance objectives for FY2022.

Individual Director self-assessment is also conducted to provide performance feedback which can help individuals to evaluate their own skills and performance as directors and motivate them to more effective contributors. The evaluation categories covered in the individual assessment include independence and integrity, preparedness, participation, commitment and competence. The Board is cognisant that individual director evaluations are an important complement to the evaluation of a board's overall performance and the results of the Individual Director self-assessment are also compiled by the Company Secretary and discussed by the NRC.

CORPORATE GOVERNANCE

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

Principle 7: Level and Mix of Remuneration

Principle 8: Disclosure on Remuneration

The Manager, not First REIT, remunerates all Directors and employees of the Manager. The remuneration of the Directors in the form of directors' fees is paid wholly in cash and the remuneration of the Management in the form of salaries, annual bonuses and allowances is also paid wholly in cash. There is no non-monetary remuneration in the form of stock options or Units paid to the Directors or the Management for FY2022.

The NRC supports the Board in the remuneration matters of the Manager in accordance with the NRC's written terms of reference which has been updated in line with the Code. The NRC sets the remuneration framework of the Manager, taking into account industry practices, responsibilities and contributions and other conditions within the industry in relation to the remuneration, and ensures that the compensation offered by the Manager are competitive and will attract, retain and motivate Directors and key management personnel, namely the CEO (i) for Directors to be good stewards of the Manager and First REIT and (ii) for key management personnel with the required experience and expertise to run the Manager successfully for the long term. In developing and reviewing the remuneration framework for Directors and the key management personnel of the Manager, the NRC would take into consideration the Manager's existing remuneration policy and other conditions within the REIT management industry, such as the remuneration policies of comparable REIT managers. The remuneration policy of the Manager is structured to attract and retain highly qualified persons, and the Manager's overall goal is to ensure value creation and the long-term sustainability and success of the Manager and First REIT. In relation to the remuneration policy, the Board determines value creation to be the amount of value-add contributed by the individual, including but not limited to deal introduction to First REIT, cost-savings ideas and novel initiatives which have the potential of increasing the performance of First REIT and it is measured based on the monetary benefit/cost-savings which First REIT receives as a result of the value-add contributed by the individual Director and a key management personnel. The NRC considers all aspects of remuneration, including termination terms, to ensure they are fair.

To further attract and retain highly qualified persons, the Manager established the succession planning framework as a strategy for identifying and developing future leaders for critical roles. This helps the Manager to prepare for contingencies by closing the gap of a departure and grooming high potential persons for advancement.

The framework comprises the following three steps which allows the Manager to systematically manage the process and reduce any risk of gaps:

- a) identify the critical roles, recognize capabilities of the critical roles and select the talent pool;
- b) develop and implement succession and knowledge transfer plans; and
- c) evaluate effectiveness.

Remuneration of Non-Executive Directors

The remuneration for each Non-Executive Director takes into account the relevant Director's contribution and responsibilities, including effort, attendance and time spent at Board and Board Committee meetings and the industry practices and norms on remuneration including guidelines set out in the Statement of Good Practice issued by the SID. The current remuneration framework for the Non-Executive Directors remains unchanged from that of the previous financial year.

The following are the components of the fee structure for Non-Executive Directors for FY2022:

- 1) base fee for membership of the Board;
- 2) fee for chairing the Board;
- 3) fee for acting as Lead Independent Director;
- 4) base fee for membership of the Board Committee; and
- 5) fee for chairing the respective Board Committees.

Disclosure of remuneration of the Directors for FY2022

A breakdown of the Director fees payable to each Director for FY2022 is shown below:

Name of Director	Director Fees (S\$)⁽¹⁾
Mr Christopher James Williams	100,000 ⁽²⁾
Mr Tan Kok Mian Victor	NIL ⁽³⁾
Mr Chan Pengee Adrian	126,250 ⁽⁴⁾
Mr Tan Chuan Lye	81,250 ⁽⁵⁾
Mr Martin Lechner	68,750 ⁽⁶⁾
Mr Ferris Charles Bye	106,250 ⁽⁷⁾
Ms Minny Riady	62,500 ⁽⁸⁾

⁽¹⁾ The framework for determining the Directors' Fees in FY2022 is as follows: (i) S\$50,000 for acting as the Chairman of the Board; (ii) S\$50,000 for acting as a member of the Board; (iii) S\$20,000 for acting as the Lead Independent Director; (iv) S\$37,500 for acting as the Chairman of the ARC; (v) S\$18,750 for acting as a member of the ARC; (vi) S\$25,000 for acting as the Chairman of the NRC; and (vii) S\$12,500 for acting as a member of the NRC.

⁽²⁾ The fees payable to Mr Christopher James Williams comprise (i) S\$50,000 for acting as the Chairman of the Board and (ii) S\$50,000 being member of the Board.

⁽³⁾ No director fee was payable to Mr Tan Kok Mian Victor in respect of his position as Executive Director in FY2022.

⁽⁴⁾ The fees payable to Mr Chan Pengee Adrian comprise (i) S\$50,000 for acting as a member of the Board, (ii) S\$20,000 for acting as the Lead Independent Director, (iii) S\$18,750 for acting as a member of the ARC, (iv) S\$12,500 for acting as a member of the NRC and (v) S\$25,000 for acting as the Chairman of the NRC.

⁽⁵⁾ The fees payable to Mr Tan Chuan Lye comprise: (i) S\$50,000 for acting as a member of the Board, (ii) S\$18,750 for acting as a member of the ARC and (iii) S\$12,500 for acting as a member of the NRC.

⁽⁶⁾ The fees payable to Mr Martin Lechner comprise: (i) S\$50,000 for acting as a member of the Board and (ii) S\$18,750 for acting as a member of the ARC.

⁽⁷⁾ The fees payable to Mr Ferris Charles Bye comprise: (i) S\$37,500 for acting as the Chairman of the ARC, (ii) S\$18,750 for acting as a member of the ARC and (iii) S\$50,000 for acting as a member of the Board.

⁽⁸⁾ The fees payable to Ms Minny Riady comprise: (i) S\$50,000 for acting as a member of the Board and (ii) S\$12,500 for acting as a member of the NRC.

CORPORATE GOVERNANCE

The NRC had recommended to the Board a total amount of S\$545,000 as Directors' fees for FY2022, to be paid in arrears. This recommendation had been endorsed by the Board and will be tabled for approval at the Manager's forthcoming general meeting for shareholders' approval.

Remuneration of Executive Director/CEO – Key Management Personnel

The Manager advocates a performance-based remuneration package for the CEO. The CEO has a service agreement with the Manager and his remuneration and terms of appointment were negotiated and recommended by the NRC and is endorsed by the Board. The remuneration of the CEO comprises a fixed salary and a performance bonus which is tied to individual performance, the performance of First REIT and the Manager, as well as achieving sustainable returns for the Unitholders and other stakeholders.

The CEO's performance bonus and remuneration increment are based on an annual appraisal exercise. The annual appraisal takes into consideration the contribution of the CEO towards the long-term strategic goals of First REIT and the Manager, including key factors such as:

- 1) unit price performance and distribution per unit yield;
- 2) containment of corporate and operation costs;
- 3) effective capital management, including competitive cost of funds and fund raising fees;
- 4) efforts to improve and maximise profit of the Manager and First REIT;
- 5) effectiveness and productivity of acquisitions from the sponsor and third parties; and
- 6) quality of risk management and control on an ongoing basis.

For the avoidance of doubt, the CEO, Mr Tan Kok Mian Victor, was not involved in the decision of the Board on his own remuneration.

The Code and the Notice to All Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the SFA) require (i) the disclosure of the remuneration of each individual Director and the CEO on a named basis, (ii) the disclosure of the remuneration of at least the top five key management personnel/top five executive officers (who are neither Directors nor the CEO), on a named basis, in bands of S\$250,000, and (iii) in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). In the event of non-disclosure, the Manager is required to provide reasons for such non-disclosure and state and explain how its practices are consistent with the aim and philosophy of the relevant Principle under the Code. After much deliberation, the Board is of the view that disclosure of the remuneration of the CEO and the top five executive officers on a named basis, whether in exact quantum or in bands of S\$250,000, and the total remuneration paid to the top five key management personnel (who are not Directors or the CEO) will not be in the best interests of the Manager, First REIT or its Unitholders. In arriving at its decision, the Board had taken into consideration, *inter alia*, the commercial sensitivity and confidential nature of remuneration matters, the competitive nature of the REIT management industry, the competitive business environment which First REIT operates in, the importance of ensuring stability and continuity of business operations with a competent and experienced management team in place and the negative impact which such disclosure may have on the Manager in attracting and retaining talent for the Manager (at the Management levels) on a long-term basis. Given the competitive business environment which First REIT operates in, the Manager faces significant competition for talent in the REIT management sector, and it is not disclosing the remuneration of the key executive officers and/or management personnel, including the CEO, so as to minimise potential staff movement and undue disruption to its Management which would be prejudicial to the interest of the Unitholders. Further, such non-disclosure of remuneration does not affect the Manager's level of transparency on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation as such information have been disclosed in detail in the preceding paragraphs. Accordingly, the

Board is of the view that the partial deviation from Provision 8.1, i.e. the non-disclosure of the remuneration, whether in exact quantum or in bands of S\$250,000, of the CEO and top five executive officers, and the total remuneration paid to the top five key management personnel (who are not Directors or the CEO), is consistent with the intent of Principle 8 of the Code as a whole. For the above reasons, Unitholders' interests are not prejudiced by this partial deviation.

Remuneration of Key-Executive Officers

The remuneration of key executive officers comprise a fixed salary and a performance bonus.

The Manager currently does not have in place long-term or short-term incentive schemes for executive Directors and key management personnel. While the Manager does not currently have in place a long-term component in the remuneration of its executive Directors and executive officers, it has incorporated the following key performance indicators (“**KPIs**”) for the purpose of determining the executive Directors' and executive officers' remuneration: (i) strengthening of the balance sheet and improvements to the credit profile of First REIT; (ii) improvements to the financial performance of First REIT; (iii) investment management; (iv) benchmarking against other REITs; (v) investor outreach; (vi) enterprise risk management; and (vii) ESG considerations. In measuring the performance of these KPIs, the Manager refers to factors such as the Distribution per Unit and Total Unitholder Returns, which serve to align the interests of the executive Directors, executive officers and the Unitholders.

The remuneration of key executive officers (excluding the CEO) is also based on the annual appraisal of each individual's performance and his/her contribution towards the long-term strategic goals of First REIT and the Manager. In particular, the performance bonus is linked to the performance of First REIT and the Manager. It is assessed based on the improvement in the net property income, distributable amount and distribution per unit of First REIT (“**Unit**”) over the preceding year and as such, it is aligned with the interests of Unitholders.

There is no existing service agreement entered into by the Directors or key management personnel with the Manager that provides for termination, retirement or post-employment benefits. During FY2022, the Manager has also not set aside nor accrued any amounts to provide for pension, retirement or similar benefits for the Directors and key management personnel.

The Manager does not have any employee share or unit scheme and does not remunerate directors and key management personnel in the form of shares or interests in the sponsor or its related entities or any other entities.

No Director or key management personnel is involved in the deliberation and decision in respect of his own individual fees/remuneration.

No remuneration consultants were engaged in FY2022. The NRC may seek expert advice from remuneration consultants on remuneration matters, as and when necessary.

Remuneration of Employees

There were no employees of the Manager and its subsidiaries who were substantial shareholders of the Manager, substantial Unitholders or immediate family members of a Director, the CEO, a substantial shareholder of the Manager or a substantial Unitholder and whose remuneration exceeded S\$100,000 in FY2022. “Immediate family member” refers to the spouse, child, adopted child, step-child, sibling or parent.

CORPORATE GOVERNANCE

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

Risk Management

Effective risk management is a fundamental part of First REIT's business strategy. Recognising and managing risk is central to the business and to protecting Unitholders' interests. The Manager has in place an ERM framework and policies which have been approved by the Board that provide a structured approach to identifying and managing the material risks that would arise in the course of managing First REIT. The ERM framework and policies are monitored and reviewed by the Board and major developments or significant revision to the ERM framework or policies will be submitted to the Board for approval. The ARC, together with the Manager, assists the Board to oversee, review and update the ERM framework to ensure its adequacy and effectiveness on the business, with internal controls in place to manage risks including but not limited to finance, operations, compliance and information technology. An independent consultant has been engaged to review the ERM framework, the identified risks and the controls annually. Material risks at both the Manager and First REIT are managed through this ERM framework.

The Board reviews the financial performance of the Manager and First REIT against a previously approved budget. The Board will also review the business risks of First REIT, examine liability management and will act upon any comments from the auditors of First REIT. In assessing business risks, the Board considers the economic environment and risks relevant to the healthcare industry. The Board reviews management reports and feasibility studies on individual development projects prior to approving major transactions. Management meets regularly to review the operations of the Manager and First REIT and discuss any disclosure issues.

The Board is also responsible for presenting a balanced and understandable assessment of First REIT's performance, position and prospects to its Unitholders, the public and the regulators, including interim and other price-sensitive or trade-sensitive public reports and reports regulators (if required). The Management is accountable to the Board and provides the Board with quarterly business updates as well as half-year and full-year results, which are then reviewed and approved by the Board for release to the SGX-ST. Financial results and other price-sensitive or trade-sensitive information, annual reports and material corporate developments are disclosed via SGXNet.

To keep Unitholders informed of material developments, the Manager released updates by way of press releases and voluntary business updates, where applicable. The aim of such an engagement is to provide Unitholders with prompt disclosure of relevant information, to enable them to have a better understanding of First REIT's businesses and performance.

A risk register with specific internal controls in place is maintained by the Manager to track, monitor, manage and/or mitigate risks faced by First REIT in the areas of strategic, operational, financial, compliance, information technology and sustainability. The risk register is reviewed by the Manager, the ARC and the Board quarterly (and updated on a periodic basis), and top-tier risks, as well as risk mitigation measures for top-tier risks, are reported to the ARC and the Board for review.

Internal Controls

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the interests of Unitholders and the assets of First REIT. Internal auditors and external auditors conduct audits that involve evaluating the adequacy and effectiveness of the material internal control systems of First REIT. The Board also notes that the system of internal controls is designed to manage rather than to eliminate risk of failure to achieve business objectives, as no system of internal controls will preclude all errors and irregularities. The Board believes that the present system of internal controls provides reasonable and adequate safeguard, and is effective against material financial misstatements or losses. The Board performs regular reviews to ensure that the system of internal controls continues to be reasonable, adequate and effective.

Non-compliance and internal control weaknesses are noted by the internal auditors and their recommendations will be reported to the ARC. To date, there has been no identified non-compliance or internal control weakness of a material nature.

For the financial year under review, the CEO and the Chief Financial Officer (the “**CFO**”) of the Manager had provided assurance to the Board that the financial records of First REIT have been properly maintained and the financial statements give a true and fair view of the operations and finances of First REIT. The CEO and other key executive officers who are responsible had provided assurance to the Board that the risk management and internal control systems in place within First REIT were adequate and effective as at 31 December 2022 in addressing the material risks, including material financial, operational, compliance, information technology and sustainability risks which the Manager considers relevant and material to the operations of First REIT and its subsidiaries (the “**Group**”). The adequacy and effectiveness of the system of risk management and internal controls are reviewed at least annually by Management, the ARC and Board, taking into account the best practices and guidance in Risk Governance for Listed Boards issued by the Corporate Governance Council and the Listing Manual.

The Board notes that the ERM framework and internal controls established by the Manager provide reasonable, but not absolute, assurance that First REIT will not be significantly affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, fraud, other irregularities and losses.

For FY2022, based on the system of risk management and internal controls established and maintained by the Manager, work performed by the internal auditors and external auditors, information furnished by Management and observations made, the Board with the concurrence of the ARC, is of the view that the present risk management systems and internal controls are adequate and effective in addressing financial, operational, compliance, information technology and sustainability risks. For FY2022, the Board and the ARC have not identified any material weaknesses in the Manager’s internal controls and risk management systems. The Manager has complied with Rule 1207(10) of the Listing Manual.

The Manager has in place an ERM framework to assist in evaluating and monitoring changes to business operations that may result in critical risk exposure to First REIT.

The structured ERM framework and process which includes a set of monitoring mechanisms and indicators allowed the Board and Management to continuously evaluate various risk perspectives such as liquidity and cashflow, workforce health and safety and workforce mobility, cyber security and regulatory compliance.

The ERM framework requires key functions and business units to report risk-related matters to the Board and Management on a regular basis. Timely reporting of high risks also provides reference points and guidance for the Board and Management to assess the adequacy and effectiveness of controls in place to manage these risks. For example, many organisations have observed an increase in propensity of wrongdoing in the current economic climate. Management, as part of the ERM framework, maintains vigilance over the relevant internal controls through mechanisms such as regular reviews and self-assessment of controls. With this, prompt decision making was undertaken to adjust operations to meet ongoing changes to the business environment due to regulatory advisory changes. The framework also provided enhanced clarity on potential financial challenges, which in turn allowed Management to monitor and react proactively to any potential incoming concerns.

During the year under review, the Board and Management also paid particular attention to monitoring First REIT’s risk of becoming subject to, or violating, any sanctions-related law or regulation and, where appropriate, to ensuring timely and accurate disclosure to the SGX-ST and other relevant authorities.

The Manager has considered the Regulator’s Column by SGX RegCo dated 7 March 2022, titled “Regulator’s Column: What SGX expects of issuers in respect of sanctions-related risks, subject or activity”, and will be monitoring the risks and exposure it faces on an ongoing basis. Additionally, the Board and ARC will monitor the position continuously to ensure there is no change.

CORPORATE GOVERNANCE

Through a regular risk review and monitoring process, Management and the Board are also better able to continuously engage and assure stakeholder groups that their interests remain a top priority for the Manager. Pertinent information is shared with stakeholders and Unitholders in a timely manner as appropriate through various platforms including press releases, investor presentations and analyst reports.

The current ERM approach has also facilitated a balanced consideration between risk and strategy and allowed the Board and Management to deliberate on First REIT's risk appetite, and to be nimble and able to re-purpose some of First REIT's business operations to seize growth opportunities. COVID-19 has demonstrated that having an effective ERM function drives quick decision making to not only focus on managing the downside of a pandemic, or value protection but to also look for areas for enhanced value creation. For example, during the year under review, the Manager paid close attention to First REIT's capital management and completed re-financing exercises including the issuance of the 5-year fixed rate social bonds guaranteed by the Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank, and the securing of new social term loans and revolving credit facilities. At the same time, the Manager remained focus on executing its strategy to diversify into developed markets by acquiring 14 nursing homes in Japan.

Principle 10: Audit and Risk Committee

The ARC comprises the following four members, all of whom (including the Chairman of the ARC) are Non-Executive and Independent Directors. As at the date of this report, the members are as follows:

Mr Ferris Charles Bye (Chairman of the ARC)	(Independent Director)
Mr Chan Pengee Adrian	(Lead Independent Director)
Mr Tan Chuan Lye	(Independent Director)
Mr Martin Lechner	(Independent Director)

The members of the ARC are appropriately qualified to discharge their responsibilities and have recent and relevant accounting and related financial management experience and expertise. None of the ARC members were previous partners or directors of the Manager's and First REIT's current auditing firm, KPMG LLP, in the past three financial years and none of the ARC members hold any financial interest in KPMG LLP.

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance. The ARC also assesses changes in accounting standards and accounting issues that may impact First REIT. The ARC has also been tasked by the Board to include risk management within its oversight role. This includes the review of material risks identified by the Manager with respect to the business operations of the Manager, First REIT and the assets of First REIT.

The ARC is guided by its terms of reference which have been updated to be in line with the Code and endorsed by the Board and its principal duties include but are not limited to:

- reviewing and approving Related Party Transactions including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" (as defined therein) and the provisions of the Property Funds Appendix relating to "interested party transactions" (as defined therein) (both such types of transactions constituting "**Related Party Transactions**");
- reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management, including ensuring that the guidelines and procedures established to monitor Related Party Transactions have been complied with;

- reviewing the assurance from the CEO and the CFO on the financial records and financial statements of First REIT;
- ensuring that the internal audit function is effective, adequately resourced, independent of the activities it audits, and has appropriate standing within the Manager;
- reviewing the adequacy, effectiveness, independence, scope and results of the external audit and internal audit functions;
- reviewing the nature and extent of the significant risk which the Manager and First REIT is willing to take in achieving the strategic objectives and value creation for First REIT and to oversee the Manager's risk management framework and policies;
- monitoring the procedures in place to ensure compliance with applicable legislation, such as the Listing Manual and the CIS Code, including the Property Funds Appendix;
- reviewing, on an annual basis, the independence and objectivity of the external auditors, and the nature and extent of non-audit services performed by the external auditors;
- making recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of external auditors, including approving their remuneration and terms of engagement;
- reviewing, at least annually, the adequacy and effectiveness of risk management and internal control systems including financial, operational, compliance and information technology controls and risk management systems;
- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and the audit report, as well as any announcements relating to the financial results of First REIT;
- reviewing the Manager's policies and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;
- investigating any matters within the ARC's terms of reference, whenever it deems necessary;
- reporting to the Board on material matters, findings and recommendations; and
- oversight and monitoring of the whistle blowing policy (the "**Whistle Blowing Policy**"), including 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 and to ensure that the Manager publicly discloses, and clearly communicates to employees of the Manager, the existence of a whistle-blowing policy and the procedures for raising such concerns.

The ARC meets at least 4 times a year, has full access to and co-operation from Management and enjoys full discretion to invite any Director and executive officer of the Manager to attend its meetings. The ARC has full access to reasonable resources to enable it to discharge its functions properly. The ARC is kept abreast of changes to the financial reporting standards and regulatory updates, through briefings by professionals during the quarterly meetings, or as and when appropriate.

The ARC meets with the internal and external auditors, without the presence of Management, at least once a year.

Attendance at the ARC meetings in FY2022 is set out on page 81 of this Annual Report.

CORPORATE GOVERNANCE

In FY2022, the ARC:

- (i) held 4 meetings during the year;
- (ii) reviewed and approved the Internal and External Audit Plans, including the nature and scope of work before commencement of these audits;
- (iii) reviewed and approved the Enterprise Risk Assessment Report;
- (iv) met with the internal and external auditors without the presence of Management, to discuss their findings as set out in their respective reports to the ARC. Both the internal and external auditors had confirmed that no restrictions were placed on the scope of audits;
- (v) reviewed and recommended to the Board, the half and full-year financial statements and audit report;
- (vi) reviewed all services provided by the external auditors and were satisfied that the provision of such services did not affect their independence. The external auditors had also affirmed their independence in their report to the ARC;
- (vii) reviewed Related Party Transactions on a quarterly basis;
- (viii) reviewed and determined the adequacy and effectiveness of the risk management and internal control systems, including financial, operational, compliance and information technology controls and made the requisite recommendations to the Board; and
- (ix) received the Manager's compliance report for FY2022.

External Audit

In the review of the financial statements for FY2022, the ARC had discussed with Management the accounting principles that were applied and the ARC's judgment of matters that might have impacted the financial statements. The following significant matters were discussed with Management and the external auditors and reviewed by the ARC:

Key Audit Matters	How the ARC reviewed these matters and what decisions were made
Valuation of investment properties	<p>The ARC had considered the methodologies and key assumptions applied by the external valuers in arriving at the valuation of the investment properties.</p> <p>The ARC had reviewed and discussed with Management on the reasonableness of the key assumptions and judgements used in the valuation models, namely future rentals, income growth, discount rates and terminal rates which have taken in account the potential impact of COVID-19 on these key assumptions for the valuation of investment properties.</p> <p>The ARC was satisfied that the accounting policies and treatments are appropriate and in line with the Singapore Financial Reporting Standards and Recommended Accounting Practice 7 "Reporting Framework for Units Trusts", issued by the Institute of Singapore Chartered Accountants.</p> <p>The valuation of investment properties was an area of focus for the external auditors. The external auditors had included this item as key audit matter in their audit report for FY2022. Please refer to pages 111 to 112 of this Annual Report.</p>

The ARC has considered the performance of the external auditors, KPMG LLP, and the nature of non-audit services provided by the external auditors together with the fees paid for such services. The aggregate amount of fees paid/payable to external auditors is S\$868,000 of which S\$737,000 pertains to audit services and S\$131,000 pertains to non-audit services. The details of the remuneration of the auditors of the Trust are as follows:

	S\$'000
Audit services	
- Auditors of the Trust	584
- Member firms of the auditors of the Trust	153
- Other auditors	123
Non-audit services	
- Auditors of the Trust	131
- Member firms of the auditors of the Trust	-
- Other auditors	55

The ARC is satisfied that the independence and objectivity of the external auditors have not been impaired by the provision of such services.

KPMG LLP together with member firms of KPMG LLP, audited First REIT and its subsidiaries for the purpose of First REIT group financial statements. Member firms of KPMG LLP and RSM International audited the foreign subsidiaries for local statutory financial statement purposes. First REIT is in compliance with Rules 712 and 715 of Listing Manual.

Internal Audit

The Manager has put in place a system of internal controls of procedures and processes to safeguard First REIT's assets, Unitholders' interest as well as to manage risks.

The internal audit function of the Manager is outsourced to Baker Tilly Consultancy (Singapore) Pte. Ltd., a member firm of Baker Tilly International. The ARC approves the hiring, removal and evaluation of the internal auditors. The internal auditors report directly to the ARC on audit matters and to the Management on administrative matters. For FY2022, the ARC has reviewed the adequacy and effectiveness of the internal auditors and was satisfied that the internal auditors are adequately resourced, qualified and effective in performing their function, have appropriate standing within First REIT and have maintained their independence from the activities that they audit.

The internal auditors' activities are guided by the International Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (the "IIA"), which Baker Tilly Consultancy (Singapore) Pte. Ltd. is a member of. For FY2022, the internal audit work carried out by Baker Tilly Consultancy (Singapore) Pte. Ltd. is in conformance with the IIA standards.

During the financial year under review, the internal auditors conducted audit reviews based on the internal audit plan approved by the ARC and had unfettered access to all the documents, records, properties and personnel of the Manager, including access to the ARC, and has appropriate standing with respect to the Manager. Upon completion of each audit assignment, the internal auditors report their findings and recommendations to Management who would respond on the actions to be taken. The internal auditors submit the internal audit reports to the ARC for deliberation and also validate the follow up actions taken by Management on the audit findings.

CORPORATE GOVERNANCE

UNITHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Unitholders Rights and Conduct of General Meetings

Principle 12: Engagement with Unitholders

Principle 13: Engagement with Stakeholders

The Manager strives to uphold a strong culture of timely disclosure and transparent communication with Unitholders and the investing community.

The Manager's investor relations policy is to promote regular, effective and fair communication through timely and full disclosure of all material information relating to First REIT by way of public releases or announcements through the SGX-ST via SGXNet at first instance, and on First REIT's website at www.first-reit.com. Information on First REIT, including the Manager's investor relations policy, is available on its website. Unitholders are encouraged to communicate their views on matters pertaining to First REIT and can email their questions to ir@first-reit.com or contact the Manager at +65 6435 0168, details of which are listed on First REIT's website.

As part of the Manager's investor relations policy, the Manager maintains an active dialogue with Unitholders and also conducts regular briefings for other stakeholders such as analysts and media representatives, which generally coincide with the release of First REIT's results. During these briefings, Management will review First REIT's most recent performance as well as discuss the business outlook for First REIT. The Manager assesses feedback from Unitholders and stakeholders and implements suggestions where feasible. The Manager believes that engaging Unitholders and stakeholders is important for the success of First REIT. First REIT has identified its stakeholders based on their impact on First REIT's business and those with a vested interest in First REIT's operations. First REIT's stakeholders include investors, operators and the local community. Through various engagement initiatives, First REIT was able to strengthen its relationships with its stakeholders and obtain valuable feedback. Please refer to the Investor Relations section on page 37 of this Annual Report for further information on stakeholder engagement initiatives.

In addition, Unitholders are given the opportunity to communicate their views and to raise pertinent questions to the Directors and to participate effectively in and vote at Unitholders' meetings.

The Manager commits to disclosing material price and trade-sensitive information to the public on a prompt and inclusive basis, and providing First REIT's stakeholders with the latest, most relevant information they require to make informed decisions about the value of First REIT and its long-term prospects. Material information relating to First REIT's financial performance, business and strategic developments is published on SGXNet first, followed by First REIT's website.

As required by the Listing Manual, the Manager discloses the names of First REIT's substantial unitholders and a breakdown of their direct and deemed interests (including how such interests are held or derived) in First REIT's annual report every year. The Manager also disseminates, via SGXNet, the notifications it receives from its substantial unitholders, in accordance with the provisions of the Securities and Futures Act 2001.

A dedicated investor relations section on First REIT's website enables access for its Unitholders and the investment community to pertinent information about First REIT such as annual reports, financial results and the latest corporate presentations.

Conduct of AGMs

In view of the COVID-19 pandemic, the Thirteenth AGM on 25 April 2022 was held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**COVID-19 Order**"). The Notice of AGM was sent to Unitholders by electronic means via publication on First REIT's website at www.first-reit.com and it was also released via SGXNet and made available on the SGX website. Alternative arrangements relating to attendance at the AGM (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of, or "live" at, the AGM, addressing of substantial and relevant questions before, and at, the AGM and voting by appointing the chairman of the meeting as proxy at the AGM) were set out in a separate announcement released on SGXNet on 1 April 2022. Similarly, the First REIT Annual Report 2021 was made available to Unitholders on SGXNet and its website.

The forthcoming AGM to be held on 21 April 2023 will again be convened and held by way of electronic means pursuant to the COVID-19 Order. Alternative arrangements relating to attendance at the AGM (including arrangements by which the AGM can be electronically assessed via live audio-visual webcast or live audio-only stream, submission of questions in advance of, or "live" at, the AGM, addressing of substantial and relevant questions before, and at, the AGM and real-time electronic voting at the AGM) are set out in the Manager's announcement dated 29 March 2023.

The description below sets out First REIT's usual practice for Unitholders' meetings when there are no pandemic risks and the COVID-19 Order is not in operation.

Unitholders are informed of Unitholders' meetings and the rules governing such meetings through notices of meetings sent to all Unitholders and/or notices published in the newspapers. The Manager ensures that Unitholders are able to participate effectively in and vote at the general meetings. Unitholders are accorded the opportunity to raise relevant questions on First REIT's business activities, financial performance and other business related matters and to communicate their views at the general meetings, and are briefed by independent scrutineers on the rules and voting procedures at the beginning of general meetings. The Manager tables separate resolutions at general meetings of Unitholders 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 Manager will explain the reasons and material implications in the notice of the general meeting. Save as disclosed on page 81 of this Annual Report, all Directors attend the general meetings, and the external auditors are also present at general meetings, to address Unitholders' queries. Unitholders are encouraged to participate in the question and answer sessions, whereby minutes of the proceedings are subsequently prepared and will include any substantial queries and comments raised by Unitholders in relation to the agenda of the general meeting and the accompanying responses from the Board and Management.

Provision 11.5 of the Code states that the company should publish minutes of general meetings on its corporate website as soon as practicable. The Company Secretary prepares minutes of Unitholders' meetings, which incorporate substantial and relevant comments or queries from Unitholders and responses from the Board and Management. Beginning from the 2020 AGM, these minutes are published on SGXNet and made available on First REIT's website.

Registered Unitholders who are unable to attend general meetings can each appoint up to two proxies to attend, participate and vote in general meetings on his/her behalf. Corporations providing nominee and custodial services can each appoint more than two proxies to attend, participate and vote in general meetings on behalf of Unitholders who hold Units through such corporations.

CORPORATE GOVERNANCE

All resolutions at general meetings are voted on by way of poll. This allows all Unitholders present or represented at the meetings to vote on a one-Unit-one-vote basis. As encouraged by SGX-ST and in support of the greater transparency of voting in general meetings and good corporate governance, the Manager has employed electronic polling since the Annual General Meeting held in April 2019. At each general meeting, Unitholders are briefed on the voting procedures and the results of all votes cast for or against each resolution with the respective percentages are announced at the meeting and on the SGXNet after the meeting. All polls are conducted in the presence of independent scrutineers. The outcome of the general meeting is also promptly announced on SGXNet after each general meeting.

The Trust Deed does not allow a Unitholder to vote in absentia at general meetings but allows any Unitholder to appoint proxies during his/her absence to attend and vote on his/her behalf at the general meetings. Unitholders are still given the opportunity to exercise their rights to attend and vote at general meetings through their proxies. Further, Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two proxy limitation and are able to appoint more than two proxies to attend, speak and vote at general meetings. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate at general meetings. The Manager is accordingly of the view that despite this deviation from Provision 11.4 of the Code, its practice is still consistent with the intent of Principle 11 as a whole.

The Manager 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 First REIT are served. The Manager considers emerging and existing sustainability-related trends to enable the Manager to identify and manage any potential, current, or impending business risks that need to be managed, or to take advantage of any opportunities they may provide. The Manager has arrangements in place to identify and engage with material stakeholder groups and to manage its relationships with such groups. These stakeholder groups are important to the Manager, either because their actions impact First REIT's business or First REIT's business impacts their actions. They include First REIT's employees, Unitholders, tenants, operators, regulators, the Trustee, and third-party service providers. The Manager's various teams interact with these stakeholders on a regular basis and the Manager maintains a corporate website to facilitate communication and engagement with stakeholders. The Sustainability Report from pages 41 in this Annual Report describes First REIT's approach in identifying its material stakeholders, as well as addressing stakeholders' concerns and methods of engagement. The Sustainability Report also sets out the key areas of focus in relation to the management of stakeholder relationships for FY2022.

First REIT targets to provide sustainable distribution payout. First REIT's distribution policy is to distribute at least 90% of its taxable income to Unitholders, with the actual level of distribution to be determined at the Manager's discretion. Distributions are generally paid within 35 market days after the relevant record date. Please refer to page 168 of this Annual Report for more details on the distribution policy and page 117 of this Annual Report for First REIT's "Statements of Distribution" for FY2022.

ADDITIONAL INFORMATION

Dealing in First REIT Units

The Manager has adopted a formal policy on handling of confidential information and dealing in securities (the “**Information Dealing Policy**”) which applies the best practice recommendations issued by SGX-ST. The Information Dealing Policy sets out the implications of insider trading and guidance on dealings in the securities of First REIT as well as certain entities listed on the SGX-ST in which OUE has an effective interest in (collectively, the “**Restricted Securities**”). It applies to and has been distributed to, *inter alia*, the Directors and employees of the Manager.

Pursuant to Rule 1207(19)(c) of the Listing Manual, the Manager and its officers should not deal in First REIT’s securities during the period commencing two weeks before the announcement of First REIT’s financial statements for each of the first three quarters of its financial year and one month before the announcement of First REIT’s full year financial statements (if First REIT announces its quarterly financial statements), or one month before the announcement of First REIT’s half year and full year financial statements (if First REIT does not announce its quarterly financial statements).

The Directors and the employees of the Manager are reminded by way of emails that they and their connected persons are prohibited from dealing in the Units during the following periods:

- two weeks before the announcement of First REIT’s interim business updates for the first and third quarters of its financial year;
- one month before the announcement of First REIT’s half year and full-year results and (where applicable) property valuations; or
- at any time while in possession of price sensitive information.

The Directors and the employees of the Manager are prohibited from communicating price-sensitive or trade-sensitive information to any person. In addition, the Manager also discourages the Directors and employees of the Manager from dealing in the Units on short-term considerations. Pursuant to the Information Dealing Policy, Directors and employees of the Manager are required to give a pre-trading notification and declaration (that, amongst others, he or she is not in possession of any information that is not generally available but, if the information were generally available, a reasonable person would expect it to have a material effect on the price or value of the Restricted Securities (“inside information”)) to their Head of Department and/or the Legal Department (as the case may be) before any dealing in the Restricted Securities. Details of the transaction that had been notified prior to being undertaken must also be provided in writing within two business days after the trade. A transaction which was notified but not undertaken must also be reported as such. All Directors and employees of the Manager must verify that confidential information is shared only to those persons who have a legitimate reason to have access to such information. The Information Dealing Policy sets out the procedures and safeguards which Directors and employees of the Manager should adopt to limit the risk of a leak of confidential information, including but not limited to signing of non-disclosure agreements, implementing Chinese walls, controlling access to documents containing confidential information, “clean-desk” policy, adoption of code names for transactions and maintenance of a list of persons who are privy to material inside information that has not been publicly announced.

The Manager has complied with Rule 1207(19) of the Listing Manual.

CORPORATE GOVERNANCE

Dealing with Conflict of Interest

The Manager has instituted the following procedures to deal with potential conflicts of interest issues, which the Manager may encounter, in managing First REIT:

- the Manager will not manage any other real estate investment trust which invests in the same type of properties as First REIT;
- all executive officers will be employed by the Manager;
- all resolutions in writing of the Directors in relation to matters concerning First REIT must be approved by a majority of the Directors, including at least one Independent Director;
- at least half of the Board shall comprise Independent Directors; and
- in respect of matters in which the sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the sponsor and/or its subsidiaries to the Board to represent its/their interest will abstain from participating in any discussion or voting. In such matters, the quorum must comprise a majority of Independent Directors and must exclude the nominee Directors of the sponsor and/or its subsidiaries.

It is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of First REIT with a related party of the Manager, the Manager shall be obliged to consult a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of First REIT with a related party of the Manager and the Trustee may take any action it deems necessary to protect the rights of Unitholders and/or which is in the interest of Unitholders. Any decision by the Manager not to take action against a related party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such related party.

Anti-Bribery/Anti-Corruption Policy

The Manager has procedures in place to comply with applicable anti-bribery laws and regulations. Under the Code of Business Conduct and Ethics, employees are not to accept, offer, promise, or pay anything of value to another person with the intention to obtain or retain business, to improperly influence an official action or to secure an unfair business advantage, whether directly or through a third party.

Protection of Creditors' Rights

To protect creditors' rights, the Manager will ensure compliance with relevant laws and regulations, including the Property Funds Appendix. The Manager conducts First REIT's business in a proper and efficient manner and ensure that the total borrowings and deferred payments of First REIT does not exceed the leverage ratio limit as per Property Funds Appendix. When the Manager takes out loans, the Manager uses its best endeavours to ensure that the interest rates of the loans are competitive. Interest rate risk is managed on an ongoing basis through regular reviews of the optimal mix of fixed and floating rate borrowings.

Whistle Blowing Policy

The Manager has adopted a Whistle Blowing Policy, pursuant to which the ARC has put in place procedures to provide employees of the Manager with well-defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to First REIT or the Manager, and for the independent investigation of any reports and appropriate follow up action.

Reports submitted anonymously will be considered but given the difficulty in fully and fairly investigating such reports, names in reports are encouraged to assist with investigation as much as possible. The aim of the Whistle Blowing Policy is to encourage the reporting of such matters in good faith, with the confidence that the person making such reports will be treated fairly, and to the extent possible, be protected from reprisal and that the confidentiality and anonymity of the complainants is protected. This Whistle Blowing Policy, including the procedures for raising concerns, are made available on the Manager's website and clearly communicated to all employees. Reports can be lodged via email at Bowsprit.Whistleblow@boardroomlimited.com.

Interested Person Transaction

The Manager has established procedures to review and monitor interested person transactions are conducted on normal commercial terms and not prejudicial to the interests of First REIT and the Unitholders. As a general rule, the Manager must demonstrate to the ARC that any such transaction satisfies the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix).

In addition, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S\$100,000.00 in value but below 3.0% of the value of First REIT's net tangible assets will be subject to review by the ARC at regular intervals;
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of First REIT's net tangible assets will be subject to review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and
- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of First REIT's net tangible assets will be subject to review and approval prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transactions from independent sources or advisers, including obtaining valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by Unitholders at a meeting of Unitholders.

Where matters concerning First REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of First REIT with a related party of the Manager or First REIT, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms and are not prejudicial to the interests of First REIT and the Unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. If the Trustee is to sign any contract with a related party of the Manager or First REIT, the Trustee will review the contract to ensure that it complies with the requirements relating to interested person transactions in the Property Funds Appendix (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS or the SGX-ST to apply to real estate investment trusts.

CORPORATE GOVERNANCE

Role of the Audit and Risk Committee for Interested Person Transactions

All interested person transactions will be subject to periodic review by ARC to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and/or the Listing Manual. The review includes the examination of the nature of the transactions and its supporting documents or such other data deemed necessary by the ARC.

The Manager incorporates into its internal audit plan a review of all interested person transactions entered into by First REIT. The ARC reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with. In addition, the Trustee also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with.

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

The Manager maintains a register to record all interested person transactions which are entered into by First REIT. Any interested person transactions requiring disclosure are disclosed in the announcements and/or the annual report of First REIT.

Material Contracts

Save as disclosed (i) in the Interested Person Transactions section of this Annual Report and (ii) on SGXNet (if any), no material contracts to which First REIT or any of its subsidiaries is a party and which involve the interests of the CEO, any director or controlling Unitholder subsisted at the end of FY2022, or have been entered into since the end of the previous financial year.

ADDITIONAL INFORMATION

Manager's Management Fees

Pursuant to clauses 14.1.1 and 14.1.2 of the Trust Deed, the Manager is entitled to (i) a base fee of 0.4% per annum of the value of all the assets for the time being of First REIT or deemed to be held by First REIT ("**Deposited Property**"), and (ii) an annual performance fee of 5.0% per annum of the Net Property Income (as defined in the Trust Deed) (which is to be calculated before accounting for this additional fee in that financial year) of First REIT or (as the case may be) the Net Property Income of the relevant Special Purpose Vehicles (as defined in the Trust Deed) for each financial year.

Pursuant to clauses 14.1.1 and 14.1.2 of the Trust Deed, the management fees will be paid in the form of cash and/or Units (as the Manager may elect). The management fees payable in Units will be issued at the volume weighted average price for a Unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the relevant Business Day.

Pursuant to clause 14.1.4 of the Trust Deed, the Manager's management fees are payable quarterly in arrears.

For FY2022, the breakdown of the management fees paid was as follows:

	<u>Group</u>		<u>Trust</u>	
	2022	2021	2022	2021
	S\$'000	S\$'000	S\$'000	S\$'000
Base fees	4,041	4,145	3,998	4,101
Performance fees	5,428	4,965	5,428	4,965
	9,469	9,110	9,426	9,066

With effect from 1 January 2016, under the Property Funds Appendix, crystallisation of the annual performance fee has been revised to be no more frequent than once a year. Accordingly, from 1 January 2016 onwards, the Manager's performance fee is payable quarterly after completion of the audited financial statements for the relevant financial year in arrears.

Pursuant to clause 14.2 of the Trust Deed, the Manager is also entitled to receive an acquisition fee at the rate of 1.0% of the acquisition price and a divestment fee of 0.5% of the sale price, on all acquisitions or disposals of properties respectively.

There is an asset management fee paid/payable to the asset management company in Japan of 0.4% per annum of the value of the asset-under-management in Japan.

The Manager's management base fee was derived after deducting the asset management fee charged by the Japan asset management company.

Justification of Fees Payable to the Manager

1. Base fee

The Manager receives a base fee of 0.4% per annum of the value of the Deposited Property, representing the remuneration to the Manager for executing its core responsibility. The base fee compensates the Manager for the costs incurred in managing First REIT, which includes day-to-day operational costs, compliance costs and costs incurred in managing and monitoring First REIT's portfolio. The base fee is calculated at a fixed percentage of asset value as the scope of the Manager's duties is commensurate with the size of First REIT's asset portfolio.

CORPORATE GOVERNANCE

Since First REIT's listing on 11 December 2006, the Manager has taken active steps to keep First REIT's portfolio relevant and adaptable to the changing economic and environmental landscapes.

As at 31 December 2022, First REIT's existing portfolio comprises thirty two properties, including fifteen properties located in Indonesia, fourteen properties located in Japan and three properties located in Singapore and has a combined gross floor area of approximately 447,738 square metres and a valuation of S\$1.15 billion.

2. *Performance fee*

The Manager receives an annual performance fee of 5.0% per annum on the Net Property Income of First REIT or (as the case may be) the Net Property Income of the relevant Special Purpose Vehicles (as defined in the Trust Deed) for each financial year.

The performance fee, which is based on Net Property Income, aligns the interests of the Manager with Unitholders as the Manager is motivated and incentivised to achieve income stability by ensuring the long-term sustainability of the assets through proactive asset management strategies and asset enhancement initiatives. Therefore, to achieve sustainability in First REIT's Net Property Income, the Manager is dis-incentivised from taking on excessive short-term risks, and will strive to manage First REIT in a balanced manner.

3. *Acquisition and divestment fees*

In line with the Manager's key objective of managing First REIT for the benefit of Unitholders, the Manager regularly reviews First REIT's portfolio of properties and considers the acquisition and/or recycling of assets, where appropriate, to optimise First REIT's portfolio. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of acquisitions or divestments to First REIT's existing portfolio and future growth expectations.

In undertaking a proposed acquisition, the Manager is expected to spend time and effort in conducting due diligence, structuring the acquisition, negotiating transaction documentation with the vendor, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from the regulators and/or Unitholders (where required). Similarly, in undertaking a proposed divestment, the Manager is expected to spend time and effort in negotiating with the prospective purchaser, structuring the divestment, liaising with the valuers and working with the professional advisers and regulatory authorities to seek the necessary approvals from regulators and/or the Unitholders (where required).

The Manager receives an acquisition fee of 1.0% on the acquisition price upon the completion of an acquisition, and a divestment fee of 0.5% on the sale price upon the completion of a divestment. The acquisition fee is higher than the divestment fee because there is additional work required to be undertaken in terms of sourcing, evaluating and conducting due diligence for an acquisition, as compared to a divestment.

The acquisition fees and divestment fees seek to motivate and compensate the Manager for the time, cost and effort spent (in the case of an acquisition) in sourcing, evaluating and executing potential opportunities to acquire new properties to further grow First REIT's asset portfolio or, (in the case of a divestment) in rebalancing and unlocking the underlying value of the existing properties. The Manager provides these services over and above the provision of ongoing management services with the aim of enhancing long-term returns, income sustainability and achieving the investment objectives of First REIT.

As required by the Property Funds Appendix, where acquisition fees or divestment fees are to be paid to the Manager for the acquisition of assets from, or divestment of assets to, an interested party, the acquisition fees or divestment fees are to be paid in the form of Units issued at the prevailing market price and which should not be sold for a period of one year from the date of issuance. This additional requirement for interested party acquisitions and divestments further aligns the Manager's interests with Unitholders.