

CORPORATE GOVERNANCE REPORT

First Real Estate Investment Trust ("**First REIT**"), constituted as a real estate investment trust, is externally managed by Bowsprit Capital Corporation 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 the highest standard of corporate governance.

The Manager adopts the Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore (the "**MAS**") on 2 May 2012 (the "**2012 CG Code**") as its benchmark for corporate governance policies and practices. Save for the guidelines on disclosures of remuneration, the Manager has complied with the principles, guidelines and recommendations of the 2012 CG Code in all material aspects. The following describes the Manager's main corporate governance policies and practices, with specific reference to the 2012 CG Code.

The Manager is aware that the MAS had on 6 August 2018 issued a revised Code of Corporate Governance (the "**2018 CG Code**"). The 2018 CG Code will take effect for annual reports covering financial years commencing 1 January 2019 and the Manager will work towards the implementation of the 2018 CG 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, as trustee of First REIT (the "**Trustee**"), on acquisition, divestment or enhancement of assets of First REIT. The research, analysis and evaluation required for this purpose 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 the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") and all other relevant legislation, the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**", and the listing manual of SGX-ST, the "**Listing Manual**"), the Code on Collective Investment Schemes issued by the MAS (the "**CIS Code**"), in particular, Appendix 6 of the CIS Code (the "**Property Funds Appendix**"), the Manager's obligations under the trust deed constituting First REIT dated 19 October 2006 (as amended, supplemented or varied) (the "**Trust Deed**"), the Singapore Financial Reporting Standards, and any tax ruling and all relevant contracts; and
- (iv) attending to all regular communication with Unitholders.

The Manager has been granted a capital markets services ("**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.

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BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Board's Leadership and Control

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 ("**Management**") and monitoring the achievement of these goals. The Manager is responsible for the strategic business direction and risk management of First REIT. All Board members participate in matters relating to corporate governance, business operations and risk management and financial performance. Decisions are taken objectively in the best interest of First REIT. 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.

The Board has adopted an internal guide whereby certain key matters are specifically reserved for the Board's approval, such as business strategy and planning, acquisition of properties, material financial commitments, loan facilities and distribution to Unitholders. The Board has established a framework for the management of the Manager and First REIT, including a system of internal controls and an enterprise risk management ("**ERM**") framework.

The Board meets 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 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. Management provides the Board with complete and adequate information in a timely manner, including board papers, budget, forecasts and management accounts. 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 members of the Board without the presence of management, in line with the guidelines of the 2012 CG Code.

The Board has considered and reviewed sustainability issues as part of its strategic formulation. More information on the material sustainability issues of First REIT are set out on pages 34 to 56 of this Annual Report.

The Board is supported by the Audit Committee ("**AC**") and Nominating & Remuneration Committee ("**NRC**") in discharging its responsibilities. The Board has delegated specific responsibilities to these Board Committees and their composition and duties are described in this report. 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 Board has adopted a set of internal controls, which sets out approval limits on capital expenditure, investments, divestments and bank borrowings. The Board believes that the internal controls system adopted is adequate and appropriate delegations of authority have been provided to Management to facilitate operational efficiency.

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Changes to regulations, policies and accounting standards are monitored closely. Where the changes affect First REIT's business or have an important bearing on the Manager's or Directors' disclosure obligations, the Directors will be briefed either during Board meetings or at specially convened sessions involving relevant professionals. New and existing Directors receive regular training, particularly on relevant new laws, regulations and changing commercial risks. Such training includes training sponsored by SGX-ST, the Accounting and Corporate Regulatory Authority, Singapore Institute of Directors, Singapore Business Federation and by audit firms. The costs of the training are borne by the Manager. Directors are also encouraged to participate in industry conferences, seminars and training programmes and have access to professionals for consultation as and when they deem necessary, with expenses borne by the Manager. Site visits to properties located overseas are organised to familiarise Directors with First REIT's properties and to facilitate better understanding of the group's operations. During the financial year ended 31 December 2018 ("FY2018"), the Directors were briefed on the regulatory and legislative changes such as the 2018 CG Code as well as the changes to accounting standards.

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. Induction, orientation and training as well as site visits are given to new Directors to ensure they are familiar with the Manager's business and governance practices. During FY2018, the Manager conducted an orientation programme which also included site visits to First REIT's properties in Singapore and Indonesia for a newly-appointed Independent Director, Mr Martin Lechner. The Manager will be arranging an orientation programme for Messrs Christopher James Williams, Chan Pengee Adrian and Ferris Charles Bye who were all appointed on 26 October 2018.

The number of Board, AC and NRC meetings held in FY2018 and the attendance by each of the Directors at these meetings are set out below:

Name of Directors	Board Meetings	Audit Committee Meetings	Nominating & Remuneration Committee Meetings
	No. of meetings held in FY2018: 4	No. of meetings held in FY2018: 4	No. of meetings held in FY2018: 1
	Attended	Attended	Attended
Christopher James Williams (Appointed on 26 October 2018)	0	NA	NA
Tan Kok Mian Victor	4	4 ⁽¹⁾	1 ⁽¹⁾
Chan Pengee Adrian (Appointed on 26 October 2018)	0	0	0
Tan Chuan Lye	4	4	1
Martin Lechner (Appointed on 8 January 2018)	4	4	NA
Ferris Charles Bye (Appointed on 26 October 2018)	0	0	NA
Ketut Budi Wijaya	4	4 ⁽¹⁾	1
Carl Gabriel Florian Stubbe (Resigned on 26 October 2018)	4	4	NA
Wong Gang (Resigned on 26 October 2018)	4	4	1

(1) Attendance by invitation.

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Board Composition and Guidance

Principle 2: Strong and Independent Board

The Board presently comprises seven Directors of whom four are Independent Directors. Each Director has been appointed on the strength of his calibre and experience. The composition of the Board is reviewed annually to ensure that the Board has the appropriate mix of expertise and experience. The Directors on 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 Tan Chuan Lye	(Independent Director)
Mr Martin Lechner	(Independent Director)
Mr Ferris Charles Bye	(Independent Director)
Mr Ketut Budi Wijaya	(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 on 26 October 2018. The Lead Independent Director is available to Unitholders where they have concerns and for which contact through the normal channels of the CEO has failed to resolve or is inappropriate. Mr Chan Pengee Adrian is also the Chairman of the NRC.

No alternate Director had been appointed to the Board during FY2018.

The Board comprises business leaders and professionals with fund management, legal and finance backgrounds. Key information on Directors’ particulars and background are set out on pages 11 and 14 of this Annual Report.

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 principles:

- the Chairman of the Board can be an Independent Director or a Non-Independent Director, provided that where the Chairman is a Non-Independent Director, a Lead Independent Director will also be appointed in line with the 2012 CG Code;
- the Board should comprise Directors with a broad range of commercial experience, including expertise in fund management, legal and the finance industry; and
- at least half of the Board should comprise Independent Directors.

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 balance and diversity to maximise its effectiveness.

The assessment of a Director’s independence takes into account Guideline 2.3 of the 2012 CG Code, the Listing Manual, as well as the enhanced independence requirements and the definition of an “independent director” as set out in the Securities and Futures (Licensing and Conduct of Business) Regulations (the “**SF Regulations**”). Under the enhanced independence requirements set out in the SF 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 and (iv) has not served on the Board for a continuous period of 9 years or longer. Further details on the review of the Director’s independence is found on page 62 of this report.

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The Board and Management are given opportunities to engage in open and constructive debate for the furtherance of strategic objectives of the Manager and First REIT. The Non-Executive Directors meet at least once annually without the presence of Management.

Chairman and Chief Executive Officer

Principle 3: Clear division of responsibilities between the Chairman and Chief Executive Officer to ensure a balance of power and authority

The positions of Chairman of the Board and CEO are held by separate individuals in order to maintain effective segregation of duties. There is a clear separation of roles and duties between the Chairman of the Board and CEO. Mr Christopher James Williams is a Non-Independent Non-Executive Director who was appointed as Chairman of the Board on 26 October 2018 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.

The Chairman of the Board is responsible for the overall management of the Board as well as ensuring that members of the Board work together with Management in a constructive manner to address strategies, business operations and enterprise issues. In addition, the Chairman of the Board sets the agenda for Board meetings and ensures that adequate time is available for discussion of all agenda items and that complete, adequate and timely information is made available to the Board. The Chairman of the Board also facilitates effective contribution of Non-Executive Directors, encourages constructive relations within the Board and between the Board and Management, ensures effective communication with Unitholders and promotes a high standard of corporate governance.

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.

Board Membership

Principle 4: Formal and transparent process for appointment of directors

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)	(Lead Independent Director)
Mr Tan Chuan Lye	(Independent Director)
Mr Ketut Budi Wijaya	(Non-Independent Non-Executive Director)

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

The NRC is guided by its terms of reference which sets out its responsibilities, including:

- making recommendations to the Board on all Board appointments, the composition and size of the Board 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 Chairman of the Board and CEO;
- determining annually, and as and when required, the independence of a Director;
- assessing the performance and effectiveness of the Board as a whole and the Board Committees and the contribution of each Director to the effectiveness of the Board;

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- deciding how the Board's performance will be evaluated and proposing objective performance criteria for the Board's approval;
- reviewing the training and professional development of the Board; and
- 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.

As part of the search and nomination process for new Directors, the NRC will identify the relevant or desired skills and experience which candidates should possess and may engage independent search companies if necessary, as well as leverage on business and other contacts. In addition, as part of the regulatory requirements, the MAS must approve any change of CEO or any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

The Board has determined that a Director may hold a maximum of ten listed company board representations after due deliberation, taking into account various factors, such as the estimated time and commitment required to act as a director of a listed company and the obligations and responsibilities associated with such a position. Notwithstanding that the Directors have multiple listed company board representations and/or other principal commitments, the NRC has assessed each individual Director on his 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 FY2018. Accordingly, it is satisfied that each Director has devoted sufficient time and attention and is able to and has adequately carried out his duties as a Director.

Review of Directors' Independence

The independence of each Independent Director is reviewed annually by the NRC based on the criteria as set out in Guideline 2.3 of the 2012 CG Code, the Listing Manual and the enhanced independence requirements set out in the SF 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 NRC has ascertained that for the financial year under review, Mr Chan Pengee Adrian, Mr Martin Lechner, Mr Tan Chuan Lye and Mr Ferris Charles Bye, are considered to be independent. The NRC is satisfied that there are no relationships or circumstances identified in the 2012 CG Code, the Listing Manual and the SF 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. None of the Independent Directors have served on the Board for more than nine years from the date of their first appointment.

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Board Performance

Principle 5: Formal assessment of the effectiveness of the Board and contribution of each director

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 Board as a whole. A collective assessment is conducted annually by means of a questionnaire individually completed by each Director. 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 FY2018.

As part of the assessment of the performance and composition of the Board for FY2018, the Board, after taking into account the NRC's views, is also satisfied that it has the appropriate size and mix of expertise and experience, taking into account the skills, experience, gender knowledge and contribution of the Directors in the financial year, including the level of attendance and participation at Board meetings.

Access to Information

Principle 6: Provision of complete, adequate and timely information prior to board meetings and on an on-going basis

Management has an on-going obligation to supply the Board with complete and adequate information in a timely manner. The Board is informed of all material events and transactions as and when they occur. The information that is provided by Management to the Board includes background or explanatory information relating to matters to be brought before the Board, budgets, forecasts and internal financial statements. In respect of budgets, any material variances between the projections and actual results are also disclosed and explained. In addition, the Board has separate and independent access to Management at all times. Requests for information from the Board are dealt with promptly by Management.

The Board is furnished with relevant and complete board papers at least a week prior to Board meetings in order to give them ample time to prepare for the Board meetings. For matters which require the Board's decision outside such meetings, Board papers will be circulated for the Board's consideration, with discussions and clarifications taking place between members of the Board and Management directly, before approval is granted.

The Directors also have separate and independent access to the company secretary. The company secretary (or his nominees) attends all Board and Board Committee meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable are complied with. The company secretary assists the Chairman of the Board, the Chairman of each of the Board Committee and Management in the development of agendas for the various Board and Board Committee meetings. The appointment and the removal of the Company Secretary are subject to the Board's approval.

Should Directors, whether as a group or individually, need independent professional advice to fulfil their duties, such advice may be obtained from a professional firm and the costs will be borne by the Manager.

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REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: Formal and transparent procedure for fixing remuneration packages of directors

Level and Mix of Remuneration

Principle 8: Appropriate remuneration to attract, retain and motivate directors and key management

Disclosure on Remuneration

Principle 9: Clear disclosure on remuneration policy, level and mix

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 FY2018.

The NRC supports the Board in the remuneration matters of the Manager in accordance with the NRC's written terms of reference. 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 Directors' remuneration, and to ensure that the compensation offered by the Manager are (i) competitive and will attract, retain and motivate Directors and key management personnel and (ii) for Directors to be good stewards of the Manager and First REIT and for key management personnel with the required experience and expertise to run the Manager successfully. 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 the long-term sustainability and success of the Manager and First REIT.

Remuneration of Non-Executive Directors

The remuneration for each Non-Executive Director takes into account the relevant Director's contribution and responsibilities, including 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 Singapore Institute of Directors. The following are the components of the fee structure for Non-Executive Directors for FY2018:

- 1) base fee for membership of the Board
- 2) fee for chairing the Board
- 3) base fee for membership of the Board Committee
- 4) fee for chairing the Board Committee
- 5) attendance fees for meeting and offsite meeting

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Remuneration of Executive Director/CEO

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 the performance of the First REIT and the Manager, as well as achieving sustainable returns for the Unitholders.

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; 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 2012 CG 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 Securities and Futures Act) 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. After much deliberation, the Board is of the view that disclosure of the remuneration of each individual Director, 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 Board and Management levels) on a long-term basis. Accordingly, the Board is of the view that the non-disclosure of the remuneration, whether in exact quantum or in bands of S\$250,000, of each individual Director, 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), will not be prejudicial to the interest of the Unitholders.

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Remuneration of Key Management Personnel

The remuneration of key management personnel comprises 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.

The remuneration of key management personnel (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 the 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 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 FY2018, 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.

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 FY2018. The NRC may seek expert advice from remuneration consultants on remuneration matters, as and when necessary.

There were no employees of the Manager and its subsidiaries who were immediate family members of a Director or the CEO and whose remuneration exceeded S\$50,000 in FY2018. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: Board presents the company's performance, position and prospects

The Manager provides Unitholders with quarterly and annual financial statements which present a balanced, clear and informed assessment of First REIT's performance, position and prospects through announcements on SGX-ST and, on First REIT's website.

Other material information is also disseminated to Unitholders through announcements via SGXNET, press releases and First REIT's website.

Management provides the Board with management accounts on a quarterly basis and as the Board may require from time to time. Such reports enable the Board members to make a balanced and informed assessment of the Group's performance, position and prospects.

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Risk Management and Internal Controls

Principle 11: Sound system of risk management and internal controls

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. 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 property 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.

A risk register is maintained by the Manager to track and monitor risks faced by First REIT in the areas of strategic, operational, financial, compliance and information technology. The risk register is updated on a periodic basis and top-tier risks, as well as risk mitigation measures for top-tier risks, are reported to the AC 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. 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 AC. 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 CFO had provided assurance to the Board that (1) 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 and (2) the risk management and internal control systems in place within First REIT were adequate and effective as at 31 December 2018 in addressing the material risks, including material financial, operational, compliance and information technology risks.

For FY2018, based on the report of the internal auditors, information furnished by the Management and observations made, the Board with concurrence of the AC, is of the view that the present risk management systems and internal controls are adequate and effective in addressing financial, operational, compliance and technology risks. The Manager has complied with Rule 1207(10) of the Listing Manual.

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Audit Committee

Principle 12: Establishment of an Audit Committee with written terms of reference

Principle 13: Establishment of an internal audit function that is independent of the functions it audits

The AC is appointed by the Board from among the Directors and comprises the following four members, all of whom (including the Chairman of the AC) are Independent Directors. As at the date of this report, the members are as follows:

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

The members of the AC are appropriately qualified to discharge their responsibilities and have relevant accounting and related financial management experience and expertise. None of the AC members were previous partners or directors of, or hold any financial interest in, the Manager's current auditing firm.

The role of the AC is to monitor and evaluate the effectiveness of the Manager's internal controls. The AC 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 AC also assesses changes in accounting standards and accounting issues that may impact First REIT. The AC 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 AC is guided by its terms of reference endorsed by the Board and its principal duties include:

- 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;
- ensuring that the internal audit function is effective, adequately resourced and has appropriate standing within the Manager;
- 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 appointment, re-appointment and removal of external auditors, including approving their remuneration and terms of engagement;
- reviewing the adequacy and effectiveness of risk management and internal controls systems including financial, operational, compliance and information technology controls;

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- reviewing the financial statements and the audit report, as well as any announcements relating to the financial results of First REIT;
- investigating any matters within the AC's terms of reference, whenever it deems necessary;
- reporting to the Board on material matters, findings and recommendations; and
- reviewing the whistle blowing policy.

The AC 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 AC has full access to reasonable resources to enable it to discharge its functions properly. The AC 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 AC meets with the internal and external auditors, without the presence of Management, at least once a year.

Attendance at the AC meetings in FY2018 is set out on page 59 of this report.

In FY2018, the AC:

- (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 AC. Both the internal and external auditors had confirmed no restrictions were placed on the scope of audits;
- (v) reviewed and recommended to the Board, the quarterly 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 AC;
- (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 FY2018.

CORPORATE GOVERNANCE REPORT

In the review of the financial statements for FY2018, the AC had discussed with Management the accounting principles that were applied and the AC'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 AC:

Key Audit Matters	How the AC reviewed these matters and what decisions were made
Valuation of investment properties	<p>The AC had considered the methodology and approach applied by the independent professional valuers in assessing the valuation of investment properties.</p> <p>The AC had reviewed and discussed with Management the reasonableness of the key assumptions and judgements used in the valuation models, namely, future rentals income growth, discount rates and terminal rates.</p> <p>The AC is 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" ("RAP 7").</p> <p>The valuation of investment properties was an area of focus for the external auditors. The external auditors had included this item as a key audit matter in their audit report for FY 2018. Please refer to page 79 to 80 of this Annual Report.</p>

The AC had conducted a review of all non-audit services provided by the external auditors and is satisfied that the extent of such services will not prejudice the independence and objectivity of the external auditors.

The aggregate amount of fees paid/payable to external auditors was S\$595,000, of which audit and non-audit services fees amounted to S\$518,000 and S\$77,000 respectively for the financial year under review.

RSM Chio Lim LLP audited First REIT and the Singapore subsidiaries. Member firms of RSM International, of which RSM Chio Lim LLP is a member, audited the foreign subsidiaries. First REIT is in compliance with Rules 712 and 715 of the Listing Manual.

The AC, with the concurrence of the Board, had recommended the re-appointment of RSM Chio Lim LLP as the external auditors by Unitholders at the forthcoming Annual General Meeting ("**AGM**") of First REIT.

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 (S) Pte Ltd, a member firm of Baker Tilly International. The AC approves the hiring, removal and evaluation of the internal auditors. The internal auditors report directly to the AC on audit matters and to the Management on administrative matters. For FY2018, the AC has reviewed the adequacy and effectiveness of the internal auditors and was satisfied that the internal auditors are adequately resourced, qualified to perform 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.

CORPORATE GOVERNANCE REPORT

During the financial year under review, the internal auditors conducted audit reviews based on the Internal Audit Plan approved by the AC and had unfettered access to all the documents, records, properties and personnel of the Manager, including access to the AC. 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 AC for deliberation and also validate the follow up actions taken by Management on the audit findings.

UNITHOLDER RIGHTS AND RESPONSIBILITIES

Unitholders Rights

Principle 14: Fair and equitable treatment of Unitholders

Communication with Unitholders

Principle 15: Regular, effective and fair communication with Unitholders

Conduct of Unitholder Meetings

Principle 16: Greater unitholder participation at AGM

The Listing Manual requires that a listed entity discloses to the market matters that would likely have a material effect on the price of the entity's securities. The Manager strives to uphold a strong culture of timely disclosure and transparent communication with Unitholders and the investing community.

The Manager's disclosure policy requires 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 then including the release on First REIT's website at www.first-reit.com.

The Manager maintains an active dialogue with Unitholders and also conducts regular briefings for 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 implements suggestions where feasible. One such implementation is the Distribution Reinvestment Plan ("**DRP**") which gives Unitholders the option to acquire fully paid units in First REIT ("**Units**") without incurring additional transactional costs, in lieu of cash amount of any distribution that the DRP applies.

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. The Directors, Chairmen of the Board Committees, representative(s) from the Trustee, external auditors, company secretary and other professionals attend the general meetings to address Unitholders' queries. Unitholders are encouraged to participate in the question and answer sessions, whereby minutes of the proceedings, including any substantial queries raised by Unitholders in relation to the agenda and the accompanying responses from the Board and Management, are subsequently prepared. These minutes are available to Unitholders upon their request.

Registered Unitholders who are unable to attend general meetings can each appoint up to 2 proxies to attend, participate and vote in general meetings on his/her behalf. Corporations providing nominee and custodial services can each appoint more than 2 proxies to attend, participate and vote in general meetings on behalf of Unitholders who hold Units through such corporations.

CORPORATE GOVERNANCE REPORT

As recommended by the 2012 CG Code, 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. At each general meeting, Unitholders are briefed on the voting procedures and the results of all votes cast for and 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.

First REIT targets to provide sustainable distribution payout.

Dealing in First REIT Units

The Manager has adopted a Code of Best Practices on Units Transactions, which provides guidance to its Directors and employees with regard to the dealing of Units. In general, the Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in such Units:

- on short-term considerations;
- during the period commencing one month before the public announcement of First REIT's full-year results and (where applicable) property valuation and two weeks before the public announcement of First REIT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuation; or
- at any time while in possession of price sensitive information.

The Manager issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealing in Units as set out above.

In addition, as part of its undertaking to the MAS, the Manager has undertaken that it will not deal in Units during the period commencing one month before the public announcement of First REIT's full-year results and (where applicable) property valuation and two weeks before the public announcement of First REIT's quarterly results, and ending on the date of announcement of the relevant results or, as the case may be, property valuation.

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

Dealing with Conflict of Interest

The Manager has instituted the following procedures to deal with potential conflicts of interests 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

CORPORATE GOVERNANCE REPORT

- 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.

Whistle Blowing Policy

The AC has put in place procedures to provide employees of the Manager and external parties such as supplier, customers, contractors and other stakeholder 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. 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. Details of this Whistle Blowing Policy have been disseminated and are made publicly available to all employees and external parties on the Manager's website. Reports can be lodged via email at Bowsprit.Whistleblow@boardroomlimited.com.

Related Party Transactions

The Manager has established procedures to ensure that all Related Party Transactions are undertaken 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 AC 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 AC 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 AC. 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

CORPORATE GOVERNANCE REPORT

- 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 AC 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. Further, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a related party of the Manager or First REIT. 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 party 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 SGX-ST to apply to real estate investment trusts.

Role of the Audit Committee for Related Party Transactions

All Related Party Transactions will be subject to regular periodic reviews by the AC. The Manager's internal control procedures are intended to ensure that Related Party Transactions are conducted on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of First REIT and the Unitholders.

The Manager maintains a register to record all Related Party Transactions (and the bases, including any quotations from unrelated third parties and independent valuations obtained to support such bases, on which they are entered into) which are entered into by First REIT. The Manager incorporates into its internal audit plan a review of all Related Party Transactions entered into by First REIT. The AC reviews the internal audit reports to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the Trustee also has the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The AC periodically reviews all Related Party Transactions to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and/or the Listing Manual. The review includes the examination of the nature of the transactions and its supporting documents or such other data deemed necessary by the AC.

If a member of the AC 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 discloses in First REIT's annual report the aggregate value of Related Party Transactions entered into during the relevant financial year.

CORPORATE GOVERNANCE REPORT

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 FY2018, the breakdown of the management fees paid was as follows:

	Group		Trust	
	2018	2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
Base fees	5,715	5,403	5,671	5,403
Performance fees	5,720	5,474	5,720	5,474
	11,435	10,877	11,391	10,877

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. 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.

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.

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 2018, First REIT's existing portfolio comprises twenty properties comprising sixteen properties located in Indonesia, three properties located in Singapore and one property located in South Korea, and has a combined gross floor area of 350,850 square metres and a valuation of S\$1.35 billion.

CORPORATE GOVERNANCE REPORT

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.