

CORPORATE GOVERNANCE REPORT

LMIRT Management Ltd (the “Manager” or “LMIRT Management”) is appointed as the manager of Lippo Malls Indonesia Retail Trust (“LMIR Trust”) in accordance with the terms of the Trust Deed dated 8 August 2007, as amended or supplemented (the “Trust Deed”). It is committed to high standards of corporate governance in the business and operations of the Manager, LMIR Trust and its subsidiaries (“LMIR Trust Group”) so as to protect the interest of, and enhance the value of Unitholders’ investments in LMIR Trust.

LMIR Trust is a real estate investment trust (“REIT”) listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and the Manager is an indirect wholly-owned subsidiary of PT Lippo Karawaci Tbk, the flagship company of diversified Indonesian conglomerate Lippo Group and Sponsor to LMIR Trust.

The Manager is licensed under the Securities and Futures Act, Cap 289 (“SFA”) to conduct Real Estate Investment Trust Management since 6 May 2010 and its officers are authorised representatives.

The Manager has general powers of management over the assets of LMIR Trust. The Manager’s key responsibility is to manage LMIR Trust’s assets and liabilities for the benefit of Unitholders with a focus to deliver a stable and sustainable distribution to Unitholders and where appropriate, enhance the values of existing properties and increase the property portfolio over time.

The other functions and responsibilities of the Manager include preparing annual asset plans and undertaking regular individual asset performance analysis and market research analysis, managing finance functions relating to LMIR Trust (which include capital management, treasury, co-ordination and preparation of consolidated budgets) and supervising property manager who performs the day-to-day property management functions for LMIR Trust properties.

The Manager ensures that the business of LMIR Trust is carried on and conducted in a proper and efficient manner adhering to the principles and guidelines of the Code of Corporate Governance 2012 (the “CG Code”) and other applicable laws and regulations, including the Listing Manual of SGX-ST (“Listing Manual”), the Code on Collective Investment Schemes (the “Code on CIS”) and the SFA. The Manager is committed to good corporate governance as it believes that such self-regulation is essential to protect the interests of the Unitholders, as well as critical to the performance of the Manager.

This corporate governance report (“CG Report”) provides an insight on the Manager’s corporate governance framework and practices in compliance with the principles and guidelines of the CG Code. The Board adheres to the “comply or explain” principle and hence, if there are any deviations from guidelines of the CG Code, such as in relation to the disclosure of the Directors’ remuneration in bands instead of in exact quantum, and using other criteria instead of objective criteria in the evaluation of board performance, an explanation has been provided within this CG Report.

(A) BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1: “Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with the Management to achieve this objective and the Management remains accountable to the Board.”

The Board is collectively responsible for the business affairs and long-term success of LMIR Trust and the Manager.

CORPORATE GOVERNANCE REPORT (CONT'D)

As the Board exercises stewardship of the Manager, it sets its values, standards and code of conduct so that the Manager and its personnel conduct themselves at the highest professional and ethical standards in order to meet its obligations to Unitholders and other stakeholders. The Board has also reviewed and considered sustainability issues in the environment, social and governance aspects driving LMIR Trust's business. The Board is pleased to present LMIR Trust's inaugural sustainability report. More information on the material sustainability issues are set out on pages 45 to 55 of this Annual Report.

In carrying out its responsibility as fiduciary, the Board is involved strategically in the business direction and establishment of performance objectives for both LMIR Trust and the Manager, financial planning, budget creation and monitoring, material operational initiatives, investment and asset enhancement initiatives, financial and operational performance reviews. It establishes a framework of prudent risk management policies and procedures (covering different aspects of risk including operational, investment, credit and capital management) to enable the Manager and LMIR Trust to assess and address risks effectively to ensure LMIR Trust's assets and Unitholders' interests are safeguarded.

The Board has reserved authority to approve certain material transactions and these include:

- 1) all acquisitions, investments, disposals and divestments;
- 2) unit issuances, dividends and other returns to Unitholders;
- 3) corporate and financial restructuring;
- 4) fund raising for new acquisitions and/or refinancing;
- 5) approving and assessing LMIR Trust's/Manager's performance budgets; and
- 6) matters which involve a conflict of interest for a controlling Unitholder or a Director.

The Board has a clear fiduciary duty to act in the interest of the Manager and LMIR Trust, and all Directors have been objectively discharging their duties and responsibilities at all times. The Directors are collectively and individually obliged to act honestly and with diligence, and in the best interest of the Manager. The Board has delegated certain responsibilities and limits for ease of operational efficiency (such as certain expenditure for regular maintenance of the properties and for expenses) to the Chief Executive Officer ("CEO")/Executive Director and Management. It continues, however to maintain an oversight over such costs through regular reporting.

Any changes to regulations, policies and accounting standards are closely monitored. Where the changes have a significant impact on LMIR Trust or have an important bearing on the Manager's or Directors' disclosure obligations, the Directors will be briefed during Board meetings or at specially-convened sessions involving relevant professionals.

The Board has established the Audit and Risk Committee ("ARC") and the Nominating and Remuneration Committee ("NRC") (collectively, the "Board Committees") with clear written terms of reference to assist it in the discharge of its functions. The compositions and duties of these committees are described in this CG Report. Membership of these Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximize the effectiveness of the Board and to foster active participation and contribution from Board members. Each of these Board Committees operates and makes decisions on certain board matters under delegated authority from the Board with the Board retaining overall oversight. These Board Committees report their decisions and recommendations for the Board's final endorsement and approval.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Board meets at least once every quarter, and as required by business imperatives. If a Director is unable to attend a meeting, he/she will still receive all the papers and materials for discussion for that meeting for review. He/She will advise the Chairman of the Board or Board Committees or CEO on his/her views and comments on the matters to be discussed to be conveyed to other members at the meeting. The Constitution of the Manager permits the Directors to participate via teleconferencing or video conferencing, if necessary. Time is set aside for discussions before/after scheduled meetings amongst the Directors of the Board without the presence of Management, if required. The Board and Board Committees may also make decisions by way of resolutions in writing. In addition to the meetings, the Directors have access to Management throughout the year, thereby allowing the Board's continuous strategic oversight over the activities of LMIR Trust. A total of seven Board meetings were held in FY 2017.

The attendance record of the Directors at meetings of the Board and Board Committee meetings in FY 2017 is set out below:

Name of Directors	Board Meetings	Audit and Risk	Nominating and
	Attendance/ No. of meetings held	Committee Meetings Attendance/ No. of meetings held	Remuneration Committee Meeting Attendance / No. of meetings held
Ms Chan Lie Leng	7/7	4/4 ⁽¹⁾	1/1 ⁽¹⁾
Mr Ketut Budi Wijaya	6/7	3/4 ⁽¹⁾	1/1
Mr Douglas Chew	7/7	4/4	1/1
Mr Goh Tiam Lock	7/7	4/4	1/1 ⁽¹⁾
Mr Lee Soo Hoon, Phillip	7/7	4/4	–
Mr Albert Saychuan Cheok*	5/7	3/4	1/1
Ms Viven Gouw Sitiabudi**	1/7	1/4 ⁽¹⁾	1/1 ⁽¹⁾

* Retired on 30 September 2017.

** Retired on 16 March 2017.

⁽¹⁾ Attendance by invitation.

The Board places great emphasis on a proper induction and orientation of new Directors and continued training of existing Directors. Upon appointment, a Director is provided with a formal letter of appointment as well as information on matters relating to the role of a Director. Newly appointed Directors are required to undertake an induction programme to familiarise themselves with the Manager's business and strategies. This includes meeting with the Board members and the executive management of the Manager, and organized site visits to LMIR Trust's properties to facilitate better understanding of the operations of LMIR Trust and its subsidiaries.

Both the new and existing Directors receive regular formal training such as but not limited to participation in seminars and training programmes, in connection with their duties, as well as on relevant new laws and regulations and commercial risks which affect LMIR Trust. These training programmes are arranged and fully funded by the Manager. Some of these training programmes attended by the Directors include those organised by the Singapore Institute of Directors (SID) and by audit firms on accounting issues, corporate governance, board committees and other related matters. In FY 2017, the Directors attended several seminars and conferences including "Sustainability for Directors" (23 February 2017), "Nominating Committee Essentials" (21 March 2017), "Remuneration Committee Essentials" (24 March 2017), "Accounting for Acquisitions and Impairment in a Challenging Economic Environment" (25 May 2017), "Value Creation for Owners and Directors in Family Firms" (22 June 2017), "The Sustainability Imperative" (12 September 2017) and "Annual Governance Roundup" (20 November 2017).

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD COMPOSITION

Principle 2: *“There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board’s decision making.*”

The Board, through the NRC, periodically reviews the size, structure and composition of the Board, to ensure that the size of the Board is appropriate in fully discharging its functions and facilitating effective decision-making for the Manager and that the Board has a strong independent element.

The Board presently consists of five Directors, of which four (including the Chairman) are Non-Executive Directors. Three Directors are considered by the NRC to be independent. As such, there is a strong and independent element on the Board. The Board comprises the following members:

Name of Directors	Nature of Designation	Appointment Date
Mr Ketut Budi Wijaya	Non Independent Non-Executive Director and Chairman of the Board	Appointed as Non-Independent Non-Executive Director on 1 June 2015 and as Chairman of the Board on 30 September 2017
Ms Chan Lie Leng	Executive Director and Chief Executive Officer	Appointed as Non-Executive Director on 22 April 2016, re-designated as an Executive Director on 1 January 2017 and appointed as Chief Executive Officer on 16 March 2017
Mr Lee Soo Hoon, Phillip	Independent Director	Appointed as Independent Director and ARC Chairman on 4 August 2011
Mr Douglas Chew	Lead Independent Director	Appointed as Non-Executive Director on 4 August 2011, as an Independent Director on 26 November 2013 and as Lead Independent Director and NRC Chairman on 30 September 2017
Mr Goh Tiam Lock	Independent Director	Appointed as Independent Director on 27 September 2011 and as NRC Member on 30 September 2017

No Alternate Directors have been appointed to the Board. The profiles of the Directors are set out on pages 18 to 21 of this Annual Report. The Board, through NRC, aims to ensure that there is an optimal blend in the Board of background, experience, expertise, knowledge in business, banking and finance, real estate and management skills critical to LMIR Trust’s business and each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made for the interest of LMIR Trust. The Board will continue to review its composition regularly to ensure that the Board has the appropriate balance and diversity to maximize its effectiveness.

The majority of the Directors are non-executive and independent of Management. This enables Management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It also enables the Board to work with Management through robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles between the Chairman and the CEO, provides a healthy professional relationship between the Board and Management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager. To facilitate open discussions and the review of the performance and effectiveness of Management, the Directors meet at least once annually without the presence of Management.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Board, taking into account the view of the NRC, assesses the independence of each Non-Executive Independent Director, on an annual basis, in accordance with the Guideline 2.3 of the CG Code as well as the enhancements to independence requirements as contemplated by the amended Securities and Futures (Licensing and Conduct of Business) Regulations (the "Regulations") (the "Enhanced Independence Requirements"). An independent director is one who has no relationship with the Manager, its related corporations, its shareholders who hold 10% of the voting shares of the Manager or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgment with a view to the best interest of the Manager. In addition, under the Enhanced Independence Requirements, an independent director is one who:

- (i) is independent from any management and business relationship with the Manager and LMIR Trust;
- (ii) is independent from substantial shareholder of the Manager and any substantial unitholder of LMIR Trust; and
- (iii) has not served on the Board for a continuous period of nine years or longer.

For FY 2017, the Independent Directors had provided declarations of independence based on criteria of the definition of "independent director" under Guideline 2.3 of the CG Code as well as the Regulations. None of the Independent Directors has any of the relationships as set out in Guideline 2.3 of the CG Code. The NRC has ascertained that for the financial year under review, Mr Lee Soo Hoon, Phillip, Mr Douglas Chew and Mr Goh Tiam Lock are independent. None of the Independent Directors has served on the Board for more than nine years from the date of their first appointment.

The Board has also examined the relationships or circumstances under which the Directors are involved and has confirmed that no such relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgment. The Board has set requirements that all Directors should disclose to the Board when any such relationship or circumstance as and when it arises. In the event of conflict of interest arising in respect of a matter under consideration by the Board, the Director concerned also complies with disclosure obligations and recuses himself/herself from participating in the Board's deliberation and decision on the matter.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: "There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power."

To maintain due accountability and capacity of the Board for independent decision making, the roles and responsibilities of the Chairman and the CEO are clearly segregated and held by different individuals.

Mr Ketut Budi Wijaya was appointed as Chairman of the Board following the resignation of Mr Albert Saychuan Cheok on 30 September 2017. The Chairman is responsible for leadership of the Board and to ensure overall effectiveness of the Board in discharging its duties. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and the CEO on strategic issues and discussions. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO on strategies. The Chairman ensures effective communication with Unitholders and leads discussions with them. He also takes a leading role in promoting high standards of corporate governance with the full support of the Directors and Management.

Ms Chan Lie Leng joined the Board as Non-Executive Director on 22 April 2016 and was subsequently re-designated to Executive Director on 1 January 2017. She was appointed as CEO on 16 March 2017 following the retirement of Ms Viven Gouw Sitiabudi as Executive Director and CEO. The CEO has full executive responsibilities over the business directions and operational decisions of the Manager. She ensures that all approved strategies and policies as set down by the Board are fully implemented.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provides a healthy professional relationship between the Board and Management, facilitates robust deliberations on LMIR Trust's activities and the exchange of ideas and views to help shape the strategic process.

As the current Board Chairman, Mr Ketut Budi Wijaya is a Non-Independent Non-Executive Director, Mr Douglas Chew has been appointed as Lead Independent Director on 30 September 2017. 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.

BOARD MEMBERSHIP

Principle 4: "There should be a formal and transparent process for the appointment and re-appointment of directors to the Board."

The NRC, which was established on 15 March 2016, comprises three members, a majority of whom (including the Chairman of NRC) are Independent Directors and all of whom are Non-Executive Directors. As at the date of this Annual Report, the members are as follows:

Mr Douglas Chew (Chairman) (Lead Independent Director)
 Mr Goh Tiam Lock (Member) (Independent Director)
 Mr Ketut Budi Wijaya (Member) (Non Independent Non-Executive Director)

The NRC meets at least once a year and had met subsequent to financial year end.

The NRC makes recommendations to the Board on all appointments to the Board and Board Committees. The NRC seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the industry, and that the Directors, as a group, have the necessary core competencies relevant to LMIR Trust's business.

The NRC is guided by its term of reference. The key terms of reference, which sets out its responsibilities, include:

- (1) Making recommendations to the Board on the appointment of Executive and Non-Executive Directors, including making recommendations on the size and composition of the Board generally and the balance between Executive and Non-Executive Directors as well as between Independent and Non-Independent Directors appointed to the Board;
- (2) Reviewing and recommending to the Board the training and professional development programmes for new and existing Directors;
- (3) Reviewing and making plans for succession for Directors, in particular, for the Chairman of the Board and CEO;
- (4) Determining annually, and as and when required, if a Director is independent;
- (5) 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;

CORPORATE GOVERNANCE REPORT (CONT'D)

- (6) Deciding how the Board's performance will be evaluated and proposing objective performance criteria for the Board's approval;
- (7) Recommending a general framework of remuneration for the Board and key management personnel; and
- (8) Reviewing and recommending to the Board the specific remuneration packages and terms of employment (where applicable) for each Director, the CEO and key management personnel.

The composition of the Board, including the selection of candidates for appointments as part of the Board's renewal process, is determined using the following principles:

- (a) the Board should comprise Directors with a broad range of commercial experience, including expertise in funds management, the property industry, and banking; and
- (b) at least half of the Board should comprise Non-Executive Independent directors. Where, among other things, the Chairman of the Board is not an Independent Director, at least half of the Board should comprise Independent Directors.

In addition, as part of the regulatory requirements, the Monetary Authority of Singapore ("MAS") also gives approval for any change of CEO or of any appointment of Director. Directors of the Manager are not subject to periodic retirement by rotation.

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 LMIR Trust 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.

The selection of candidates for appointment takes into account various factors including the current and mid-term needs and goals of LMIR Trust and the Manager as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations.

Guideline 4.4 of the CG Code recommends that the Board determines the number of listed company board representations which any Director may hold and disclose this in the annual report. The Board has determined that a Director may hold a maximum of ten (10) listed company board representatives. Notwithstanding the Directors' multiple listed company Board representations and/or other principal commitments, each Director is able to and has adequately carried out his duties as a Director of the Manager. Factors taken into account include but are not limited to, the Directors' regular attendance at the Board meetings, prompt and efficient discharge of their duties and responsibilities and ability to deliver on matters needing the Directors' advice, proposal and recommendations to the Manager.

Accordingly, the Board is of the view that the current commitments of each Director are reasonable and the Directors are able to and have been adequately carrying out his or her duties.

The Board will not approve the appointment of Alternate Directors unless in exceptional cases of medical emergency. In FY 2017, there is no necessity for such appointment.

The profile and key information regarding the Directors such as academic and professional qualifications, list of the present and past directorships and chairmanships held over the last three years, and other principal commitments are found on pages 18 to 21 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

BOARD PERFORMANCE AND EVALUATION

Principle 5: “There should be a formal assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.”

The Manager believes that board performance is ultimately reflected in the long-term performance of LMIR Trust.

The Manager has in place appraisal criteria as agreed by the Board which include an evaluation of the size and composition of the Board, the Board’s access to information, its accountability and processes, communication with Management, standards of Directors’ conduct and independence, as well as the Directors’ discharge of their principal responsibilities (including attendance and participation at meetings, time and effort accorded to LMIR Trust and the Manager). The Manager also has in place quantitative and qualitative key performance indicators to appraise the performance of the CEO/Executive Directors.

Based on the established criteria, the Board has implemented 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 Directors’ responses to the assessment are collated by the Company Secretary and the consolidated report is discussed by the NRC and the Board. Based on feedback from the Directors in the questionnaire, recommendations will be implemented to further enhance the effectiveness of the Board, where appropriate. 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 FY 2017.

ACCESS TO INFORMATION

Principle 6: “In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.”

The Board is provided with complete, adequate and timely information through regular updates on financial results, market trends and business developments prior to any Board meeting and/or when necessary.

Management provides timely, adequate and complete information to the Board relating to the Board affairs and matters requiring its decision or approval. Reports such as, but not limited to, the operations and financial performance of LMIR Trust, are likewise provided. Prompt communication to the Directors (outside of Board meetings) is made through several mediums such as email, teleconferencing and video conferencing.

The Manager’s policy is to furnish the Directors with board papers at least one week prior to Board meetings in order to give them ample time to prepare for the Board meetings. This will enable them to peruse the contents of the reports and papers to be presented during the Board 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 appointment and removal of the Company Secretary of the Manager is a matter for the Board to decide as a whole. The Company Secretary attends to corporate secretarial administration and corporate governance matters, attends all Board and Board Committee meetings and provides relevant and complete information to the Directors in a timely manner when requested. The Board has separate and independent access to Management and the Company Secretary at all times and vice versa.

The Board also has access to independent professional advice where appropriate, and at the Manager’s expense. The ARC also meets the external and internal auditors separately at least once a year, without the presence of the Management.

CORPORATE GOVERNANCE REPORT (CONT'D)

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: "There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration."

LEVEL AND MIX OF REMUNERATION

Principle 8: "The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, Companies should avoid paying more than is necessary for this purpose."

DISCLOSURE ON REMUNERATION

Principle 9: "Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance."

The NRC has established a framework of remuneration for the Board and Management and also reviews and recommends to the Board the specific remuneration packages for each Director as well as for Key management personnel. The NRC seeks to structure the remuneration of Management so as to link rewards to the performance and long term success of LMIR Trust and to be aligned with the interest of the Unitholders.

For FY 2017, the remuneration for each Non-Executive Director takes into account the relevant Directors' contribution and responsibilities, including attendance and time spent at Board and Board Committee meetings. The remuneration framework for Non-Executive Directors comprises a base fee for membership on the Board and Board Committees, chairing the Board and Board Committees, and attendance fees for offsite meetings.

Remuneration of Non-Executive Directors for FY 2017

	Director's Fees
	S\$
Mr Ketut Budi Wijaya*	S\$29,647
Mr Albert Saychuan Cheok**	S\$92,788
Mr Lee Soo Hoon, Phillip	S\$70,000
Mr Douglas Chew	S\$66,000
Mr Goh Tiam Lock	S\$63,250

* Pro-rated to date of appointment on 30 September 2017.

** Pro-rated to date of resignation on 30 September 2017.

The NRC had recommended to the Board a total amount of S\$366,641 as Directors' fees for the financial year ending 31 December 2018, to be paid quarterly in arrears. This recommendation had been endorsed by the Board and will be tabled for approval at the Manager's forthcoming AGM for Unitholders' approval.

CORPORATE GOVERNANCE REPORT (CONT'D)

The remuneration and terms of appointment of the CEO (also the Executive Director) were negotiated and endorsed by the Board. Her remuneration includes a fixed salary, performance bonus and benefits-in-kind.

The performance bonus and annual increment are based on an annual appraisal. In particular, the performance bonus is linked to the stability and performance of the net property income, distributable amount and distribution per unit of LMIR Trust over the preceding year and as such it is in alignment with the performance of LMIR Trust and the interests of Unitholders. Some of the key performance indicators for the CEO include but are not limited to, the following:

- (i) Unit price performance and distribution per unit yield for LMIR Trust;
- (ii) Containment of budgeted operational cost for LMIR Trust and the Manager;
- (iii) Execution of asset acquisitions from the Sponsor/Group and third parties;
- (iv) Effective capital management including competitive cost of funds and fund raising fees, and effective exchange rate management for LMIR Trust; and
- (v) Compliance with regulatory requirements.

None of the Directors were involved in the deliberation and decision in respect of his/her own fees or remuneration.

The Manager is aware of the CG Code's requirement and the Notice to All Holders of a Capital Markets Service Licence for Real Estate Investment Trust Management (issued pursuant to Section 101 of the Securities and Futures Act) to disclose the exact quantum of the remuneration of the CEO and Directors. The Board has assessed and decided against the disclosure of the exact quantum of the CEO's remuneration and has instead disclosed her remuneration in bands of S\$250,000. The Manager believes that such disclosure is sufficient for providing transparency to Unitholders without prejudicing the interest of Unitholders. In view of the highly competitive REIT management industry, the Manager believes that opting not to disclose the exact quantum of the remuneration of the CEO will minimise the risk of potential staff movements and loss of key personnel which would cause undue disruptions to the management of LMIR Trust and which would not be in the interests of Unitholders.

The Manager's remuneration framework for all employees (including Key management personnel) comprises fixed salary and performance bonuses. 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. The performance bonus and annual increment are based on an annual appraisal of each individual employee of the Manager. In particular, the performance bonus of the Key personnel management is linked to their contribution to the performance of the net property income, distributable amount and distribution per unit of LMIR Trust over the preceding year and as such it is in alignment with the performance of LMIR Trust and the interests of Unitholders.

The CG Code also encourages the Manager to disclose the remuneration of the Manager's top five Key management personnel (who are not CEO or Directors) on a named basis in bands of S\$250,000; as well as the aggregate remuneration paid. The Board has identified five Key management personnel who have the authority and responsibility to assist the CEO in planning, directing and controlling the activities of the Manager. Due to the wage disparities in the highly competitive REIT management industry and the likely competitive pressures, the Board has decided against the disclosure of the aggregate remuneration paid to them. The Board is of the view that the disadvantage of such disclosure in term of risk of potential staff movement and loss of Key management personnel will outweigh the benefits to Unitholders.

CORPORATE GOVERNANCE REPORT (CONT'D)

The level and mix of the remuneration of the CEO and each of the key management personnel in the bands of S\$250,000, are set out below:

Remuneration of CEO for FY 2017

Above S\$500,000 – S\$750,000	Salary	Bonus	Allowances and Benefits	Total
Ms Chan Lie Leng	68%	32%	0%	100%
Ms Viven Gouw Sitiabudi*	7%	78%	15%	100%

* Pro-rated to date of retirement on 16 March 2017. The bonus is based on amount paid and payable, based on LMIR Trust's financial year from 1 January 2015 to 31 December 2016.

Remuneration of Key management personnel for FY 2017

Between S\$250,000 – S\$500,000	Salary	Bonus	Allowances and Benefits	Total
Mr Wong Han Siang	73%	27%	0%	100%
Mr Lo Shye Ru*	100%	0%	0%	100%

Below S\$250,000	Salary	Bonus	Allowances and Benefits	Total
Ms Lee Saw May Christina**	79%	21%	0%	100%
Mr Heng Shao Sheng***	79%	21%	0%	100%
Ms Jia Yali Ella	76%	24%	0%	100%
Mr Cesar Agor	72%	27%	1%	100%

* Pro-rated to date of resignation on 31 July 2017.

** Pro-rated to date of joining on 14 March 2017.

*** Pro-rated to date of joining on 3 April 2017.

There is no existing service agreement entered into by the Directors or key management personnel with the Manager that provides for benefits upon termination of appointment or post-employment. 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 remuneration consultants were engaged in FY 2017. 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 \$50,000 in FY 2017. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent.

CORPORATE GOVERNANCE REPORT (CONT'D)

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: *“The Board should present a balanced and understandable assessment of the company’s performance, position and prospects.”*

The Manager provides Unitholders with quarterly and annual financial statements through the SGXNET. In presenting these financial statements to Unitholders, the Board aims to provide these Unitholders with a balanced, clear and understandable assessment of the Manager and LMIR Trust’s performance, position and prospects on a quarterly basis. To achieve this, the Management provides the Board with management information and accounts as any Director may require from time to time, to enable the Directors to keep abreast, and make a balanced and informed assessment, of LMIR Trust’s financial performance, position and prospects. Other material information is also disseminated to unitholders through announcements via SGXNET, press releases and LMIR Trust’s website.

The Manager adheres to such policies and procedures that aim to deliver maximum sustainable value to its Unitholders which include prompt fulfillment of statutory reporting requirements. This is one of the means to maintain Unitholders’ trust and confidence in the capability and integrity of the Manager.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *“The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the company’s assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.”*

Effective risk management is a fundamental part of LMIR Trust’s business strategy. Recognising and managing risk is central to the business and to protecting Unitholders’ interests and value. The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls system. The Board reviews the business risks of LMIR Trust, examines liability management and acts upon any comments from the Manager and the auditors of LMIR Trust. In assessing business risk, the Board considers the economic environment and risk relevant to the property industry. The Board reviews management reports and feasibility studies on individual projects prior to approving any major transactions. Management meets regularly to review the operations of the Manager and LMIR Trust and to discuss any risks relating to its assets and the management thereof.

The ARC assists the Board in carrying out the above-mentioned responsibility of overseeing the Manager’s risk management framework and policies.

The Manager has in place a Risk Management Policy which details the following:

- (i) interest rate risk management process and policy guidelines;
- (ii) exchange rate risk management process and policy guidelines;
- (ii) capital management guidelines;
- (iv) accounting requirements for derivative transactions; and
- (v) the roles and responsibilities of the parties involved in the management of financial risks for LMIR Trust.

The Manager’s approach to risk management and internal control and the management of key business risks is set out in the “Risk Management” section of page 42 of this Annual Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

A risk register is maintained by the Manager to track and monitor risks faced by LMIR Trust 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 ARC and the Board for review.

For FY 2017, the CEO together the Chief Financial Officer ("CFO") of the Manager had provided assurance to the Board that the financial records of LMIR Trust have been properly maintained and the financial statements give a true and fair view of the operations and finances and that the risk management and internal control system which has been put in place is effective in addressing the material risks faced by LMIR Trust in its current business environment.

Based on the internal controls established and maintained by LMIR Trust Group, work performed by the internal and external auditors, reviews performed by Management, the ARC and the Board and the assurance from the CEO and the CFO of the Manager, the Board, with the concurrence of the ARC, is of the opinion that LMIR Trust Group's internal controls, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 31 December 2017

The Board notes that the system of risk management and internal controls provides reasonable, but not absolute, assurance, that LMIR Trust Group, will not be adversely affected by any event that could be reasonably foreseen or anticipated, as it works to achieve its business objectives. In this regards, the Board also notes that no system of risk management and internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

AUDIT AND RISK COMMITTEE ("ARC") AND INTERNAL AUDIT

Principle 12: *"The Board should establish an Audit Committee with written terms and reference which clearly sets out its authority and duties."*

Principle 13: *"The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits."*

The ARC comprises three members, all of whom are Independent Directors. As at the date of this Annual Report, the members are as follows:

Mr Lee Soo Hoon, Phillip (Chairman) (Independent Director)

Mr Goh Tiam Lock (Member) (Independent Director)

Mr Douglas Chew (Member) (Lead Independent Director)

The members of the ARC are appropriately qualified to discharge their responsibilities and have recent and relevant accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment. For FY 2017, none of the members of the ARC is a former partner or director of, or hold any financial interest in, the Manager's existing auditing firm. The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC also 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. With the assistance of the external auditors, the ARC assesses changes in accounting standards and issues that impact LMIR Trust.

CORPORATE GOVERNANCE REPORT (CONT'D)

The ARC's responsibilities are set forth in its terms of reference which include:

- monitoring the procedures established to regulate 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 Appendix 6: Investment Property Funds of the Code on CIS ("Property Funds Appendix") relating to "interested party transactions") (as defined therein);
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the Property Funds Appendix;
- reviewing arrangements by which whistle-blowers may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action;
- examining the effectiveness of financial, operating, compliance and information technology controls and risk management policies and systems at least annually;
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by Management;
- making recommendations to the Board on the appointment, re-appointment and removal of external auditors and approving the remuneration and terms of engagement of external auditors;
- reviewing, on an annual basis, the scope and result of the external audit, the independence and objectivity of the external auditors and where the external auditors also provide a substantial volume of non-audit services to LMIR Trust, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- reviewing internal audit reports annually to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with;
- ensuring that the internal audit function is adequately resourced and has appropriate standing with LMIR Trust;
- ensuring, at least annually, the adequacy and effectiveness of the internal audit function;
- meeting with external and internal auditors, without the presence of the executive officers of the Manager, at least on an annual basis;
- reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of LMIR Trust and any formal announcements relating to LMIR Trust's financial performance;
- investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

CORPORATE GOVERNANCE REPORT (CONT'D)

The ARC has the authority to investigate any matter within terms of reference, full access to and co-operation from Management and full discretion to invite any Director or executive officer of the Manager to attend its meetings. The ARC also has full access to reasonable resources to enable it to discharge its functions properly. In FY 2017, the ARC was briefed on the key changes to the Companies Act and Financial Reporting Standards and the implications of these changes on LMIR Trust, in particular on the direct impact on financial statements.

Other ways the ARC keeps abreast of changes to accounting standards and issues that may have a direct impact on financial statements include referring to the best practices and guidance in the Guidebook for Audit Committee in Singapore and the reports issued from time to time in relation to Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority.

In FY 2017, the ARC had:

- (i) held four 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) 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 they had received the full co-operation of management and no restrictions were placed on the scope of audits;
- (iv) reviewed and recommended to the Board, the quarterly and full-year financial statements and audit report;
- (v) 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;
- (vi) reviewed related party transactions on a quarterly basis;
- (vii) reviewed and determined the adequacy and effectiveness of risk management and internal control systems, including financial, operational, compliance and information technology controls and made the requisite recommendation to the Board; and
- (viii) reviewed the Manager's Risk Management Policy.

RSM Chio Lim LLP audited LMIR Trust and the Singapore subsidiaries. A member firm of RSM International of which RSM Chio Lim LLP is a member, audited the foreign subsidiaries. LMIR Trust is in compliance with Listing Rules 712 and 715 of the SGX-ST Listing Manual.

The ARC has undertaken a review of all non-audit services provided by the external auditors in FY 2017, and is satisfied that the extent of such services would not affect the independence of the external auditors before confirming their re-nomination. The aggregate amount of audit fees payable to external auditors for FY 2017 was S\$479,000, of which audit fees amounted to S\$397,000 and non-audit fees amounted to S\$82,000, respectively.

In the review of the financial statements for FY 2017, the ARC has discussed with Management and the external auditors on the key audit matters, which is included in the Independent Auditor's Report.

CORPORATE GOVERNANCE REPORT (CONT'D)

Key Audit Matters	How the ARC reviewed these matters and what decisions were made
Valuation of investment properties	<p>The ARC considered the approach and assumptions applied to the fair value measurements.</p> <p>The valuation of the investment properties was also an area of focus for the external auditor. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017. Refer to the Independent Auditor's Report of this Annual Report.</p>

The ARC, with the concurrence of the Board, had recommended the re-appointment of RSM Chio Lim LLP as the external auditors, which will be subject to approval of the Unitholders at LMIR Trust's Annual General Meeting to be held on 18 April 2018.

Internal Audit

The internal audit function of the Manager is outsourced to KPMG Services Pte Ltd, a reputable accounting/auditing firm. The internal auditors will ensure that the internal audit function is carried out according to the standards set by nationally or internationally recognized professional bodies' including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors by persons with the relevant qualifications and experience. The internal auditors report directly to the ARC. The ARC is of the view that the internal auditors have adequate resources to perform its functions.

In the financial year under review, the internal auditors have conducted audit reviews based on the internal audit plan approved by the ARC. They have full and unfettered access to the ARC and to all the documents, records, properties and personnel of the Manager. Upon completion of each audit assignment, they report its findings and recommendations to the Manager who would respond on the actions to be taken, before the audit report is submitted to ARC for deliberation and validation of the follow up actions taken.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14: "Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements."

COMMUNICATIONS WITH SHAREHOLDERS

Principle 15: "Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders."

Principle 16: "Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company."

The Manager is committed to treating all its Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant rules and regulations. These include, among other things, the right to participate in profit or dividend distributions. They are also entitled to attend and vote at the general meetings of unitholders and are accorded the opportunity to participate effectively.

CORPORATE GOVERNANCE REPORT (CONT'D)

The Listing Manual requires that a listed entity disclose to the market matters that would be likely to 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 LMIR Trust by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then including the release on LMIR Trust's website at www.lmir-trust.com. When there is an inadvertent disclosure made to a selected group, the Manager will make the same disclosure publicly to all others as soon as practicable.

The Manager also uses other channels of communication with Unitholders and investors to keep them informed regularly of corporate developments, such as:

- Analysts' briefings on a quarterly basis;
- One-on-one/group meetings or conference calls on a quarterly basis, local/overseas non-deal specific roadshows;
- Participation in forums and seminars organised by various financial institutions and attended by selected investors;
- Responding to queries submitted to the Manager via electronic email or telephone calls; and
- Annual reports.

The list of investor activities for FY 2017 is disclosed on page 43 of this Annual Report.

The Board has taken active steps to solicit and understand the views of Unitholders by according them the opportunity to raise relevant questions on LMIR Trust's business activities, financial performance and other business matters and to communicate their views at the general meetings. The Directors, Chairmen of the Board Committees, representative(s) of the Trustee, external auditors, the Company Secretary, independent financial advisers, legal counsels and other professional advisers attend the annual or extraordinary general meetings to address the 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 recorded, prepared and minuted. Minutes of the general meetings are available to Unitholders for their inspection upon prior request.

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

As recommended by the CG Code, all resolutions at general meetings are voted on by way of poll and Unitholders are informed of the voting rules and procedures. This allows all Unitholders present or represented at the meetings to vote on a one-unit-one-vote basis. There are separate resolutions at the Unitholders' meetings on each substantially separate issue. Resolutions are not "bundled" unless resolutions are interdependent and linked so as to form one significant proposal. All polls are conducted in the presence of independent scrutineers.

The voting results of all votes cast for or against each resolution with the respective percentages are announced at the meeting and via LMIR Trust's website and SGXNET after the meeting.

CORPORATE GOVERNANCE REPORT (CONT'D)

(E) ADDITIONAL INFORMATION

DEALING IN LMIR TRUST UNITS

The Board has adopted a Code of Conduct to provide guidance to its Directors and officers on dealing in LMIR Trust's units ("Units"). A Director is required to give notice to the Manager of his/her acquisition of Units or changes in the number of Units he/she holds or in which he/she has an interest, within two business days after such acquisition or occurrence.

In general, the Manager's Personal Trading Policy permits Directors and employees of the Manager to hold Units but prohibits them from dealing in such Units:

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

The Directors and employees of the Manager are expected to observe insider trading regulations at all times. The Manager issues quarterly reminders to its Directors, relevant officers and employees on the restrictions in dealing in LMIR Trust units as set out above.

In addition, as part of its undertaking to MAS, the Manager has undertaken that it will not deal in the Units during the period commencing one month before the public announcement of LMIR Trust's full year results and where applicable, property valuation, and two weeks before the public announcement of LMIR Trust'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 of SGX-ST.

FEES PAYABLE TO THE MANAGER

Under the revised Code on CIS issued by MAS which took effect on 1 January 2016, where fees are payable out of the deposited property of a property fund, the methodology and justifications for each type of fees payable should be disclosed. The methodology for computing the fees payable to the Manager is contained in Clause 15 of the Trust Deed (as amended), details of which are disclosed under Notes to Financial Statements.

Pursuant to Clause 15.1.3, 15.1.4 and 15.1.5 of the Trust Deed, the Manager is entitled to (i) a base fee of 0.25% per annum of the value of the deposited property (excluding those authorised investments not in the nature of real estate, whether directly held by LMIR Trust or indirectly through one or more special purpose vehicles), (ii) an annual performance fee of 4.0% per annum of the net property income (as defined in the Trust Deed) for each financial year (calculated before accounting for this fee in that financial year) and (iii) an authorised investment management fee of 0.5% per annum of the investment value of such authorised investment. The foregoing does not apply to Retail Spaces as the management fees are fixed.

CORPORATE GOVERNANCE REPORT (CONT'D)

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.

For FY 2017, the breakdown of the management fees and frequency of payment is as follows:

	Group and LMIR Trust	
	2017	2016
	S\$'000	S\$'000
Base fee	5,148	5,066
Performance fee	7,370	6,874
	12,518	11,940

In FY 2017, the Manager's performance fee is payable once a year after completion of the audited financial statements for the relevant financial year in arrears.

Pursuant to clause 15.2.1 of the Trust Deed, the Manager is also entitled to receive an acquisition fee at the properties respectively.

JUSTIFICATION OF FEES PAYABLE TO THE MANAGER

1. Base fee

The Manager receives a base fee of 0.25% per annum of the value of all the assets for the time being of the Trust or deemed to be held upon the Trust constituted under the Trust Deed, representing the remuneration to the Manager for executing its core responsibility. The base fee compensates the Manager for the costs incurred in managing LMIR Trust, which includes day-to-day operational costs, compliance costs and costs incurred in managing and monitoring the 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 LMIR Trust's asset portfolio.

Since LMIR Trust's listing on 19 November 2007, the Manager has taken active steps to keep its portfolio relevant and adaptable to the changing economic and environmental landscapes. As at 31 December 2017, LMIR Trust existing portfolio comprises 23 retail malls and 7 retail spaces spread over Indonesia with a combined gross floor area of 1,650,014 square metres and valuation of S\$1,920.1 million.

2. Performance fee

The Manager receives an annual performance fee of 4.0% per annum on the net property income of the Trust 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 LMIR Trust's net property income, the Manager is dis-incentivised from taking on excessive short-term risks, and will strive to manage LMIR Trust in a balanced manner.

CORPORATE GOVERNANCE REPORT (CONT'D)

3. **Authorised investment management fee**

The authorised investment management fee serves the same function as the base fee to compensate the Manager should LMIR Trust invest in any authorised investments which are not in the nature of real estate. LMIR Trust does not currently hold any such authorised investments and no such fee was payable for FY 2017.

4. **Acquisition and divestment fees**

In line with the Manager's key objective of managing LMIR Trust for the benefit of Unitholders, the Manager regularly review its portfolio of properties and considers the acquisition and/or recycling of assets, where appropriate, to optimise its portfolio. This involves a thorough review of the exposures, risks and returns as well as the overall value-add of acquisitions or divestments to LMIR Trust'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 and divestment fees seek to motivate and compensate the Manager for the time, cost and effort spent in sourcing, evaluating and executing potential opportunities to acquire new properties to further grow LMIR Trust asset portfolio (in the case of an acquisition) or, in rebalancing and unlocking the underlying value of the existing properties (in the case of a divestment). 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 LMIR Trust.

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 in LMIR Trust issued at the prevailing market price, which should not be sold for a period of one year from their date of issuance. This additional requirement for interested party acquisitions and divestments further aligns the Manager's interests with Unitholders.

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 LMIR Trust:

- The Manager will not manage any other real estate investment trust which invests in the same type of properties as LMIR Trust;
- All executive officers will be employed by the Manager;
- All resolutions in writing of the Directors in relation to matters concerning LMIR Trust must be approved by a majority of the Directors, including at least one Independent Director;

CORPORATE GOVERNANCE REPORT (CONT'D)

- 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 voting. In such matters, the quorum must comprise a majority of the 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 LMIR Trust 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 LMIR Trust 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 shall 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 LMIR Trust 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 AND ANTI-CORRUPTION POLICY

The Manager has zero tolerance towards bribery and corruption. In addition to clear guidelines and procedures for giving and receipt of corporate gifts and concessionary offers, all employees of LMIR Trust are required to uphold the Manager's core values and not to engage in any corrupt or unethical practices. This is geared towards maintaining the value of integrity, in all the employees' dealings at work, to the highest standards.

As a further extension of its policy stance, the Manager requires that agreements entered into with third parties contain provisions against bribery and corruption.

WHISTLE BLOWING POLICY

The ARC has put in place procedures to provide staff and external parties such as suppliers, customers, contractors and other stakeholders with well-defined and accessible channels to report on suspected fraud, corruption, dishonest practices or other similar matters relating to LMIR Trust or the Manager, and for the independent investigation of any reports by employees or any third party 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 a whistle-blower making such reports will be treated fairly, and to the extent possible, be protected from reprisal.

RELATED PARTY TRANSACTIONS

The Manager has established procedures to ensure that all related party transactions will be undertaken on an arms' length basis and on normal commercial terms and will not be prejudicial to the interests of LMIR Trust and the Unitholders.

The Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuation from independent professional valuers (in accordance with the Property Funds Appendix).

CORPORATE GOVERNANCE REPORT (CONT'D)

The ARC reviews and approves all related party transactions on a quarterly basis or, if the situation requires, as soon as the Related party transactions arise. In addition to the foregoing, the following procedures will be undertaken:

- for related party transactions (either individually or aggregated during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of LMIR Trust's net tangible assets/net asset value, the ARC shall only give its approval for such transactions if they 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
- related party transactions (either individually or aggregated during the same financial year) equal to or exceeding 5% of the value of LMIR Trust's net tangible assets/net asset will be reviewed and approved 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 the Unitholders at a meeting of Unitholders; and
- aggregate value of related party transactions entered into during the financial year under review will be disclosed in the Annual Report.

For related party transactions entered into or to be entered into by the Trustee, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and on normal commercial terms, are not prejudicial to the interests of LMIR Trust 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 related party transaction. If the Trustee is to sign any related party transaction contract, the Trustee will review the contract to ensure that it complies with the requirements relating to related party transaction as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

ROLE OF THE AUDIT AND RISK COMMITTEE FOR RELATED PARTY TRANSACTIONS

All related party transactions are subjected to regular periodic reviews by the ARC. 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 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 LMIR Trust. The Manager incorporates into its internal audit plan a review of all related party transactions entered into by LMIR Trust. The ARC 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 will also have the right to review such audit reports to ascertain that the Property Funds Appendix have been complied with. The ARC will periodically review 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 will include the examination of the nature of the transactions and its supporting documents or such other data deemed necessary by the ARC.

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.