

CORPORATE GOVERNANCE

ESR-LOGOS REIT is a real estate investment trust, externally managed by the Manager with Perpetual (Asia) Limited, as the trustee of ESR-LOGOS REIT. The Manager also acts as the manager of ESR-LOGOS REIT's sub-trusts, Viva Trust (with Perpetual (Asia) Limited as the trustee of Viva Trust) as well as ALOG (with HSBC Institutional Trust Services (Singapore) Limited as the trustee of ALOG).

ESR-LOGOS REIT has been listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") since 2006.

The Manager holds a Capital Markets Services Licence ("CMS Licence") issued by the Monetary Authority of Singapore ("MAS") to carry out REIT management activities under the Securities and Futures Act 2001 ("SFA"). Under its CMS Licence, the Manager appoints representatives to conduct REIT management activities and hires qualified and experienced executives in the management of its operations.

The Manager has general powers of management to manage ESR-LOGOS REIT's assets and liabilities for the benefit of ESR-LOGOS REIT Unitholders. The Manager's key roles and responsibilities include:

- setting the strategic direction of ESR-LOGOS REIT;
- providing recommendations to the trustees on the acquisition, property development, divestment and/or enhancement of assets of ESR-LOGOS REIT in accordance with its investment strategy;
- ensuring effective capital management to ensure continuous liquidity and financial flexibility for operations;
- ensuring adequate and effective risk management, internal controls and compliance with the applicable laws and regulations, including the SFA and all other relevant legislations, the Listing Manual of SGX-ST ("Listing Manual"), the Code on Collective Investment Schemes ("CIS Code") (including its property funds appendix ("Property Funds Appendix")), the Trust Deed, written directions, notices and other guidelines that MAS may issue from time to time; and
- supervising property managers who perform the day-to-day property management functions for ESR-LOGOS REIT's properties, to ensure that they meet their objectives pursuant to the property management agreements.

The Manager is committed to maintaining high standards of corporate governance and is of the view that sound corporate governance policies and practices are essential to protect the assets of ESR-LOGOS REIT and the interests of its Unitholders and to enhance the value of Unitholders' investment in ESR-LOGOS REIT.

This report outlines the Manager's corporate governance practices and structures that were in place during the financial year ended 31 December 2022 ("FY2022"), with specific reference made to the Code of Corporate Governance 2018 which was last amended on 11 January 2023 (the "CG Code") and its related practice guidance. Where there are deviations from any of the principles and/or provisions of the CG Code, appropriate explanations have been provided in this report.

Principles of the CG Code

Board Matters

Principle 1	The Board's Conduct of Affairs
Principle 2	Board Composition and Guidance
Principle 3	Chairperson and Chief Executive Officer
Principle 4	Board Membership
Principle 5	Board Performance

Remuneration Matters

Principle 6	Procedures for Developing Remuneration Policies
Principle 7	Level and Mix of Remuneration
Principle 8	Disclosure on Remuneration

Accountability and Audit

Principle 9	Risk Management and Internal Controls
Principle 10	Audit Committee

Unitholder Rights and Engagement

Principle 11	Unitholder Rights and Conduct of General Meetings
Principle 12	Engagement with Unitholders

Managing Stakeholders Relationships

Principle 13	Engagement with Stakeholders
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BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

Board and Board Committees Composition

As at the date of this report, the Board has 9 members and an alternate director. The composition of the Board and Board Committees are as follows:

Composition of Board		Composition of Board Committees C-Chairman; M-Member		
Name	Designation	ARCC ⁽¹⁾	NRC ⁽²⁾	EXCO ⁽³⁾
Ms. Stefanie Yuen Thio	Independent Non-Executive Chairperson	M	M	—
Mr. Nagaraj Sivaram	Independent Non-Executive Director	C	—	—
Dr. Leong Horn Kee	Independent Non-Executive Director	M	—	—
Mr. Ronald Lim	Independent Non-Executive Director	M	C	—
Dr. Julie Lo	Independent Non-Executive Director	M	—	—
Mr. Jeffrey Perlman (alternate: Mr. Philip Pearce)	Non-Executive Director	—	M	C
Mr. Wilson Ang	Non-Executive Director	—	—	—
Mr. Trent Iliffe	Non-Executive Director	—	—	M
Mr. Adrian Chui	Chief Executive Officer and Executive Director	—	—	M

(1) The Audit, Risk Management and Compliance Committee ("ARCC") comprises 5 members, all of whom are independent non-executive Directors.

(2) The Nominating and Remuneration Committee ("NRC") comprises 3 members and all members of the NRC are non-executive Directors.

(3) The Executive Committee ("EXCO") comprises 3 members.

Role of Board

The Board's primary responsibility is to lead and to supervise the management of the business and affairs of both the Manager and ESR-LOGOS REIT, to ensure that ESR-LOGOS REIT is managed in the best interests of all Unitholders. The Board seeks to align the interests of ESR-LOGOS REIT with that of Unitholders and to balance the interests of other stakeholders. The Board's principal functions include:

- ensuring the Manager discharges its duties to act in the best interests of all Unitholders and to give priority to the interests of the Unitholders over the interest of the Manager and its shareholders in the event of conflict between the interests of the Unitholders and those of the Manager or its shareholders;
- providing entrepreneurial leadership, reviewing and setting strategic directions and major corporate policies, ensuring that the necessary financial and human resources are in place for the Manager to meet its objectives and monitoring the organisational performance towards these objectives;
- establishing a framework of adequate and effective risk management systems, internal controls and financial reporting systems to safeguard Unitholders' interests and ESR-LOGOS REIT's assets;
- reviewing Manager's performance to enhance Unitholders' value;
- setting the Manager's values and standards of conduct and appropriate tone from the top in respect of the desired organisational culture and ensuring proper accountability within the Manager; and
- considering and evaluating sustainability issues (including environmental and social factors) and its impact on strategic direction, business plans and major corporate policies to ensure sustainability of the REIT business for the benefit of the Unitholders.

The Board has approved a set of delegations of authority which sets out financial approval limits for investments and divestments, bank borrowings, capital expenditure and cheque signatories. Certain transactions which are reserved for Board's approval include material acquisition, divestment and development proposals, fundraising activities, income distributions and other returns to Unitholders and operational matters exceeding the prescribed limits. Lower level of approval limits are also provided at various management level to facilitate operational efficiency.

CORPORATE GOVERNANCE

The directors of the Manager (“Directors”) have fiduciary responsibilities and are collectively and individually obliged at all times to act honestly and objectively in the best interests of ESR-LOGOS REIT and its Unitholders. In line with this, the Board has adopted a policy to address all potential conflicts of interest. All Directors are required to notify the Board as soon as he or she becomes aware of any conflict of interest which may exist or might reasonably be thought to exist. Directors are also required to recuse themselves from all deliberations and abstain from voting in relation to the matters which he or she has a conflict of interest. All Directors have complied with this policy and where relevant such compliance has been duly recorded in the minutes of meeting or written resolutions.

To facilitate effective management, certain functions have been delegated to various board committees, each of which has its own written terms of reference and whose actions are reported to, and monitored by, the Board. These board committees are the ARCC, NRC and the EXCO (collectively, the “Board Committees”). Membership of the various Board Committee is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

Meetings of Board, Board Committees and General Meetings

The Board meets on a quarterly basis, and on such other occasions that necessitate its involvement to review ESR-LOGOS REIT’s business performance and deliberate on business strategy, including any acquisitions, disposals, fundraisings etc. Members of the Board also meet periodically without the presence of management team of the Manager (“Management”) to discuss and review Management’s performance. The Manager’s Constitution permits Board meetings to be held by way of telephone conference or by means of similar communication equipment by which all persons participating in the meeting are able to hear and be heard by all other participants. Where exigencies prevent a director attending a meeting in person, the director may provide his/her comments to the Board or relevant Board Committee prior to the meeting and the comments will be taken into consideration in the deliberation. The Board and Board Committees may also make decisions by way of resolutions in writing.

The Directors’ attendance for the meetings of the Board, the ARCC, the NRC and the general meetings of ESR-LOGOS REIT held in FY2022 is as follows.

	Board ⁽¹⁾	ARCC	NRC ⁽²⁾	AGM ⁽³⁾	Mar 2022 EGM ⁽⁴⁾	Oct 2022 EGM ⁽⁵⁾
Number of meetings held	7	5	1	1	1	1
Name of Director						
Ms. Stefanie Yuen Thio ⁽⁶⁾	7	5	N.A. ⁽⁶⁾	1	1	1
Mr. Nagaraj Sivaram ⁽⁷⁾	3	2	N.A.	N.A.	N.A.	1
Dr. Leong Horn Kee	7	5	N.A.	1	1	1
Mr. Ronald Lim	7	5	1	1	1	1
Dr. Julie Lo ⁽⁸⁾	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Jeffrey Perlman ⁽⁹⁾	3	4*	0	0	0	0 ⁽¹⁵⁾
Mr. Philip Pearce ⁽¹⁰⁾ (as Alternate Director to Mr Jeffrey Perlman)	4	2	N.A.	N.A.	N.A.	0 ⁽¹⁵⁾
Mr. Philip Pearce ⁽¹⁰⁾ (in his own capacity as former Non-Executive Director up till 3 June 2022)	4	3*	N.A.	1	1	N.A.
Mr. Wilson Ang	7	5*	N.A.	1	1	1
Mr. Trent Iliffe ⁽¹¹⁾	2	2*	N.A.	N.A.	N.A.	0 ⁽¹⁵⁾
Mr. Adrian Chui	7	5*	1	1	1	1
Mr. Khor Un-Hun ⁽¹²⁾	5	4	N.A.	1	1	N.A.
Mr. Ooi Eng Peng ⁽¹³⁾	4	3	1	1	1	N.A.
Mr. Tong Jinquan ⁽¹⁴⁾	0	N.A.	N.A.	0	0	N.A.

* by invitation

Notes:

- (1) Not including other meetings attended by directors with Management as well as Board papers circulated to the members for approval with no physical meetings held.
- (2) Not including occasions when NRC papers were circulated to the NRC members for approval with no physical meetings held. 4 papers were circulated to NRC without the conduct of physical meetings, throughout the year, to obtain NRC's approval.
- (3) Annual general meeting ("AGM") held on 29 April 2022.
- (4) Extraordinary general meeting ("EGM") held on 21 March 2022 in relation to the proposed merger with ARA LOGOS Logistics Trust.
- (5) EGM held on 12 October 2022 in relation to the proposed acquisition of 100% trust beneficiary interest in ESR Sakura Distribution Centre.
- (6) Ms. Stefanie Yuen Thio was appointed as a member of NRC on 1 July 2022.
- (7) Mr. Nagaraj Sivaram was appointed as Independent Non-Executive Director and member of ARCC on 3 June 2022. He was redesignated as Chairman of ARCC on 2 August 2022 following Mr. Khor's cessation as Independent Non-Executive Director.
- (8) Dr. Julie Lo was appointed as Independent Non-Executive Director and member of ARCC on 1 November 2022. Hence, she only started to attend Board and ARCC meetings held in 2023.
- (9) Mr. Jeffrey Perlman was appointed as the Chairman of EXCO on 1 July 2022.
- (10) Mr. Philip Pearce stepped down as Non-Executive Director and appointed as alternate director to Mr. Jeffrey Perlman on 3 June 2022.
- (11) Mr. Trent Iliffe was appointed as Non-Executive Director and member of EXCO on 1 July 2022.
- (12) Mr. Khor Un-Hun stepped down as Independent Non-Executive Director and Chairman of ARCC on 2 August 2022.
- (13) Mr. Ooi Eng Peng stepped down as Non-Executive Deputy Chairman, member of ARCC, member of NRC and Chairman of EXCO on 1 July 2022.
- (14) Though Mr. Tong Jinquan did not attend the meetings, he had provided his approvals (where relevant) to the relevant resolutions put up for these meetings. Mr. Tong Jinquan had stepped down as Non-Executive Director on 29 July 2022.
- (15) Mr. Jeffrey Perlman, Mr Philip Pearce and Mr. Trent Iliffe were not present in October 2022 EGM as they had abstained from voting on the resolution tabled at the meeting.

Both NRC and EXCO regularly reviewed and approved matters tabled via circulation, when necessary, in FY2022.

Directors' Training and Orientation

All newly appointed directors are given induction training which covers business activities of ESR-LOGOS REIT, its strategic directions, the regulatory environment in which ESR-LOGOS REIT and the Manager operate, and the Manager's corporate governance practices. Property tours are also organised to allow new directors to familiarise with the properties within the ESR-LOGOS REIT's portfolio. Letters of appointment are issued to directors upon their appointment, setting out their duties and responsibilities to the Manager and ESR-LOGOS REIT.

Where a director has no prior experience as a director of an issuer listed on the SGX-ST, the director has to undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST and such training shall be completed within one year of the appointment.

All directors also completed the requisite training on sustainability matters as prescribed by the SGX-ST in 2022, apart from one director who has signed up to attend the Sustainability E-Training for Directors Programme in 2023.

To enable the Directors to properly discharge their duties and responsibilities as Board or Board Committee members, the Directors are provided with routine updates by the Management and/or professionals on developments and changes to relevant laws, regulations and accounting standards affecting ESR-LOGOS REIT and/or the Manager. Directors are also encouraged to participate in industry conferences, seminars and training programmes in connection with their duties.

CORPORATE GOVERNANCE

Access to Information, Management, and Professionals

All Directors have unrestricted access to both ESR-LOGOS REIT and the Manager's records and information. The Board is provided with timely and complete information both prior to board meetings and on an ongoing basis so as to allow the Board to make informed decisions to discharge its duties and responsibilities.

Generally, board papers are distributed at least one week prior to the meetings to ensure that Directors have sufficient time to review the information provided. The information provided to the Board includes financial results, market and business developments, business and operational information. However, sensitive matters may be tabled at the meeting itself, or discussed without papers being distributed. Parties who can provide relevant information on matters tabled at meetings will be in attendance to provide further information that may be required. Directors are able to securely access and read board papers and materials electronically via an electronic Board Papers Portal at any place and any time, using electronic or mobile devices.

A one-day off-site business overview and Board strategy meeting is organised annually for an in-depth discussion between the Board and the Management on strategic issues and directions pertaining to ESR-LOGOS REIT and the Manager. Where appropriate, the Management arranges for the Directors to visit the properties to better appraise the Directors of ESR-LOGOS REIT's business.

Board members have separate and independent access to Management as well as to the Company Secretary. Management remains available at all times to answer any query raised by any Director while the Company Secretary attends all Board meetings and ensures that board procedures and applicable rules and regulations are complied with. Frequent dialogues and interaction take place between Management and the Directors. The Company Secretary, together with the Chief Executive Officer ("CEO"), ensure good information flows between Management and the Directors. The appointment and removal of the Company Secretary is subject to Board's approval.

The Board engages independent professional advice as and when necessary, with approval from the Chairperson of the Board, to enable it to discharge its responsibilities effectively. Individual Director can seek independent professional advice with the consent of the Chairperson of the Board or ARCC Chairman. For complex matters, the Board may from time to time appoint a subcommittee to assist the Board in its deliberations and to provide recommendations. In 2022, an ad-hoc Transaction Review Committee ("TRC"), a subcommittee of the Board, was set up to assist the Board in ensuring the process from pitching to closing of any open/close tender bids transaction relating to interested parties (i.e. Interested Party Transactions ("IPT")):

- a) Is conducted on an arm's length and transparent basis including parity of information to all bidders and confidentiality of bids;
- b) Has adhered to relevant rules in Chapter 9 of the SGX Listing Manual as well as Property Funds Guidelines; and
- c) Demonstrated a higher standard of good corporate governance process and exercised due care, skills and diligence as compared to transactions with no bidding process.

The TRC is not expected to be a standing committee but rather on an "ad-hoc" basis depending on the type of IPT being contemplated and/or as directed by the Board. For "Business-As-Usual" ("BAU") type of IPT (e.g., individual asset or portfolio acquisitions), TRC may not be activated as typical IPT governance processes would have been covered under the ARCC.

Principle 2: Board Composition and Guidance

The Board presently consists of 9 members: 5 independent directors, 3 non-executive directors and 1 executive director. Non-executive directors make up a majority of the Board. The Chairperson of the Board is Ms. Stefanie Yuen Thio, who is an independent director. As such, no lead independent director is appointed.

This complies with provision 2.3 of the CG Code where non-executive directors make up a majority of the Board as well as Regulation 13D(3)(a) of the Securities and Futures (Licensing and Conduct of Business) Regulations ("SF(LCB) Regulations") which requires at least half of the Board to comprise independent directors.

The current Board is represented by members with a breadth of expertise in banking, finance, accounting, human resource, legal, real estate and fund management. The Board believes that the current board size, composition and balance between executive, non-executive and independent directors is appropriate and provides sufficient diversity without interfering with efficient and effective decision making. It allows for a balanced exchange of views, robust deliberations and debates among members and effective oversight over Management, ensuring no individual or small group dominates the Board’s decisions or its process. With the background of skills, experience and core competencies of its members, the Board is of the view that it has the appropriate diversity of talent, gender, expertise and experience, skills needed in the strategic direction and planning of the business of ESR-LOGOS REIT.

Board Diversity

The Board adopted a Board Diversity Policy as it believes that a diverse Board will enhance the decision-making of the Board by utilising a variety of skills, industry and

business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of the members of the Board.

The composition of the Board is reviewed periodically by the NRC to ensure that the board size is appropriate and comprises directors with an appropriate mix of expertise, skills, diversity and experience to discharge their duties and responsibilities and to complement ESR-LOGOS REIT’s long-term objectives and strategies.

The NRC has reviewed and improved on the existing Board Diversity policy by including Board diversity targets, plans and timeline for achieving these targets. The aim is to improve Board’s decision making, help Board to more effectively mentor and monitor Management to achieve ESR-LOGOS REIT’s long-term objectives and strategies for the benefit of the REIT and the Unitholders. The Board diversity targets are reviewed by the NRC annually to ensure the targets remain relevant in evolving business and regulatory landscape.

The following table outlines the Board diversity targets set by the NRC, with the endorsement by the Board, as well as the progress in FY2022 in achieving those targets:

Diversity Targets	Progress in FY2022	Target Met (Yes/No)
<p>Ensuring the Board comprises members who collectively possess core competencies and/or experience in the following areas:</p> <ul style="list-style-type: none"> — Real estate — International expertise in the areas that the REIT operates — Fund Management — Legal, Regulatory and Governance — Accounting — Financial Management — Human Capital Management — Information Technology, Digital Transformation — Strategic Planning — Sustainability 	<p>The Board has achieved its short-term target of Board members collectively possessing at least 80% of the identified core competencies and/or experience.</p> <p>The NRC will continue to identify gaps in directors’ skills and strive to achieve the fulfilment of all the identified core competencies and/or experience in the next 3 to 5 years.</p>	<p>Yes</p>

CORPORATE GOVERNANCE

Diversity Targets	Progress in FY2022	Target Met (Yes/No)
Ensuring at least 2 different ethnic groups are present within the Board	As at the date of this annual report, the Board currently consists of members from 3 different ethnic groups.	Yes
Ensuring a diverse age range within the Board members	As at the date of this annual report, the Board has directors with ages across 30s, 40s, 50s, 60s and 70s.	Yes
Ensuring a diverse board tenure within the Board members	As at the date of this annual report, the board tenure of the Board members is spread across the '0-3 years', '3-5 years' and '5-7 years' categories.	Yes
Ensuring gender diversity with at least 2 female representatives on the Board and the appointment of female director as chairperson of the Board or the NRC	Ms. Stefanie Yuen Thio is the Independent Non-Executive Chairperson of the Board. With the appointment of Dr. Julie Lo in November 2022, the Board has met its gender diversity target where there are currently 2 female directors on the Board.	Yes
Ensuring at least 1 Board member has no listed company board and/or real estate funds management experience	Dr. Julie Lo and Mr. Trent Iliffe, who were both appointed in FY2022, do not have prior listed company board experience during their appointments. In addition, Dr. Julie Lo whose area of expertise is in healthcare, has not worked in either a real estate or funds management industry.	Yes
Ensuring at least 50% of the Board is independent	As at the date of this annual report, more than 50% of the Board is independent.	Yes

To achieve the above diversity targets, NRC identifies suitable candidates that goes beyond personal network including engagement of external search firm to source for a diverse slate of candidates (based on the diversity targets) to be presented to the Board for consideration. The final decision on selection of directors will be based on merit, and will be considered against the business objectives of the REIT as well as the diversity targets set for the Board.

Board Independence

The NRC assesses annually (and as and when circumstances require) the independence of each director based on the definitions and guidelines of independence set out in the Listing Manual, CG Code and SF(LCB) Regulations. The results of the assessment are tabled to the Board for Board's consideration on the independence of the directors.

For the purpose of Regulation 13E(b) of SF(LCB) Regulations, the Board of the Manager, after considering the relevant requirements under the SF(LCB) Regulations, wishes to set out its views in respect of each of the Directors as follows:

Name of Director	had been independent from the management of the Manager and ESR-LOGOS REIT during FY2022	had been independent from any business relationship with the Manager and ESR-LOGOS REIT during FY2022	had been independent from every substantial shareholder of the Manager and every substantial unitholder of ESR-LOGOS REIT during FY2022	had not been a substantial shareholder of the Manager or a substantial unitholder of ESR-LOGOS REIT during FY2022	had not served as a director of the Manager for a continuous period of 9 years or longer as at the last day of FY2022
Ms. Stefanie Yuen Thio	✓	✗ ⁽¹⁾	✗ ⁽²⁾	✓	✓
Mr. Nagaraj Sivaram	✓	✓	✓	✓	✓
Dr. Leong Horn Kee	✓	✓	✓	✓	✓
Mr. Ronald Lim	✓	✓	✓	✓	✓
Dr. Julie Lo	✓	✓	✓	✓	✓
Mr. Jeffrey Perlman ⁽³⁾	✗	✓	✗	✓	✓
Mr. Wilson Ang ⁽⁴⁾	✓	✓	✗	✓	✓
Mr. Trent Iliffe ⁽⁵⁾	✗	✓	✗	✓	✓
Mr. Adrian Chui ⁽⁶⁾	✗	✓	✗	✓	✓

Notes:

- (1) Ms. Stefanie Yuen Thio is the joint managing partner and a minority shareholder of TSMP Law Corporation ("TSMP"). The Manager engaged TSMP to be the legal counsel to act for ESR-LOGOS REIT and the Manager for a transaction which spanned across 2021 to 2022. As TSMP was paid a total legal fees of S\$630,000 as legal counsel for both ESR-LOGOS REIT and the Manager for the transaction, Ms. Stefanie Yuen Thio is considered to have a business relationship with both ESR-LOGOS REIT and the Manager. In addition, Ms. Stefanie Yuen Thio is an independent non-executive director and the chairwoman of the audit and risk management committees of both ARA Business Trust Management (USH) Pte Ltd (Manager of ARA US Hospitality Management Trust ("ARA H-BT")) and ARA Trust Management (USH) Pte Ltd (Manager of ARA US Hospitality Property Trust ("ARA H-REIT")) (collectively, the "ARA H-Trust Managers"). Following the completion of ESR Group Limited's acquisition of ARA Asset Management Limited ("ARA") (the "Acquisition") on 20 January 2022, the ARA H-Trust Managers have become subsidiaries of ESR Group Limited and therefore are considered related corporations of the Manager. As such, the ARA H-Trust Managers are considered "relevant persons" under Regulation 13G of the SF(LCB) Regulations and Ms. Stefanie Yuen Thio would be considered to have a business relationship with the Manager if she receives payment from the ARA H-Trust Managers. Based on the latest publicly available information (per ARA US Hospitality Trust FY 2021 Annual Report), Ms. Stefanie Yuen Thio had received S\$90,000 in cash from the ARA H-Trust Managers as payment of her directors' fees for the financial year ended 31 December 2021. Ms. Stefanie Yuen Thio remains a director of ARA H-Trust Managers and continues to receive directors' fees from the ARA H-Trust Managers after the completion of the Acquisition, and she would thereby be considered to have a business relationship with the Manager.
- (2) ESR Group Limited is a substantial shareholder of the Manager and a substantial unitholder of ESR-LOGOS REIT, and hence it is considered a "relevant person" for the purpose of Regulation 13(H)(1) of the SF(LCB) Regulations. Following the Acquisition, the ARA H-Trust Managers have become subsidiaries of ESR Group Limited and therefore Ms. Stefanie Yuen Thio would be deemed to be connected to ESR Group Limited as she is a director of a related corporation of ESR Group Limited.
- (3) Mr. Jeffrey Perlman is the Chairman of ESR Group Limited and also serves on the Board of Directors for ESR Group Limited. ESR Group Limited is a controlling shareholder of the Manager and owns 100% of the issued share capital of e-Shang Jupiter Cayman Limited, which in turn owns the entire issued share capital of e-Shang Infinity Cayman Limited. e-Shang Infinity Cayman Limited is a substantial unitholder of ESR-LOGOS REIT. In addition, ESR Group Limited is a controlling shareholder of LOGOS Property Group Limited, which is also a controlling shareholder of the Manager. LOGOS Property Group Limited is a substantial unitholder of ESR-LOGOS REIT. As such, Mr. Jeffrey Perlman is deemed not to be independent.
- (4) Mr. Wilson Ang is a director and shareholder of Maxi Capital Pte Ltd, which is a subsidiary of Shanghai Summit Pte. Ltd., a company wholly-owned by a substantial unitholder of ESR-LOGOS REIT, Mr. Tong Jinqun. As such, Mr. Wilson Ang is deemed not to be independent.
- (5) Mr. Trent Iliffe is the managing director and co-chief executive officer of LOGOS Property Group Limited, a subsidiary of ESR Group Limited. He is also one of the members in the ESR Group Limited's Management Business Leadership Team. LOGOS Property Group Limited is a controlling shareholder of the Manager and is also a substantial unitholder of ESR-LOGOS REIT. As such, Mr. Trent Iliffe is deemed not to be independent.
- (6) As CEO and Executive Director of the Manager, Mr. Adrian Chui is considered employed by the Manager and deemed not to be independent.

CORPORATE GOVERNANCE

All Independent Directors are subject to an annual independence assessment, conducted by the NRC. These Directors are required to fill up self-declaration forms whereby the NRC will review each Director's self-declaration and assess whether any disclosed or undisclosed relationship or factor may influence the Director's ability to act independently. Each member of the NRC and Board recused himself/herself when his/her independence is tabled for assessment. With respect to FY2022, the NRC has tabled the result of the assessment and made recommendation to the Board on the independence of each independent Director. Based on the results, save for Ms. Stefanie Yuen Thio who would not be considered independent under Regulations 13D(7)(b)(ii) and 13D(7)(b)(iii) of the SF(LCB) Regulations, the following independent directors have fulfilled the assessment of independence:

- Mr. Nagaraj Sivaram
- Dr. Leong Horn Kee
- Mr. Ronald Lim
- Dr. Julie Lo

Notwithstanding Ms. Stefanie Yuen Thio does not fulfil the conditions in Regulations 13D(7)(b)(ii) and 13D(7)(b)(iii) of the SF(LCB) Regulations to be considered independent, the Board and NRC are of the view that she is able to act in the best interests of all the Unitholders and that the relationships set out above did not impair her independence and objectivity, taking into consideration the following:

- (a) Ms. Stefanie Yuen Thio had been appointed independent non-executive director of the Manager before ARA H-Trust Managers became related corporations of the Manager. She had been independent prior to the Acquisition, and the NRC and Board have opined that she can continue to perform the role with the requisite independence without her judgment and independence being affected by the change of ultimate shareholder of ARA H-Trust Managers as a consequence of the Acquisition and even though the ARA H-Trust Managers have subsequently become related corporations of the Manager and ESR Group Limited following the Acquisition.

- (b) Given that the investment mandates of ESR-LOGOS REIT and ARA H-BT and ARA H-REIT (collectively, the "ARA H-Trust") do not overlap, there is little risk of a conflict of interest that would compromise Ms. Stefanie Yuen Thio's ability to act in the best interests of the Unitholders of ESR-LOGOS REIT. In addition, Ms. Stefanie Yuen Thio does not sit on the Board of ESR Group Limited or ARA H-Trust's sponsor, ARA Real Estate Investors 23 Pte. Ltd, an indirect wholly-owned subsidiary of ARA Asset Management Limited.
- (c) TSMP's legal services to ESR-LOGOS REIT and the Manager were provided in the ordinary course of business, on arm's length basis and based on normal commercial terms. The legal fees which TSMP received from ESR-LOGOS REIT and the Manager were insubstantial in relation to TSMP's overall revenue, and Ms. Stefanie Yuen Thio did not personally represent ESR-LOGOS REIT and the Manager in the transaction and had abstained in ESR-LOGOS REIT's selection and appointment of TSMP as legal counsel for the transaction.

Based on the above and pursuant to Regulation 13D(8) of the SF(LCB) Regulations, the Board and the NRC are of the view that Ms. Stefanie Yuen Thio is independent.

For the purposes of Regulation 13E(b)(ii) of the SF(LCB) Regulations, the Board is satisfied that, as at the last day of FY2022, Ms. Stefanie Yuen Thio, Mr. Jeffrey Perlman, Mr. Wilson Ang, Mr. Trent Iliffe and Mr. Adrian Chui, were able to act in the best interests of all the Unitholders of ESR-LOGOS REIT that was managed by the Manager.

Principle 3: Chairperson and Chief Executive Officer

The positions of the Chairperson and the CEO of the Manager are held by separate individuals to ensure a clear division of responsibilities. The Independent Non-Executive Chairperson is Ms. Stefanie Yuen Thio, whereas the CEO is Mr. Adrian Chui. The Chairperson and the CEO are not related to each other so as to maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. As such, no lead independent director is appointed.

The Chairperson leads the Board discussion while fostering a culture of openness and debate that renders the Board effective. She facilitates active contributions by the Directors and promotes high standards of corporate governance and transparency. The Chairperson also performs a significant leadership role by providing clear oversight and guidance to the Management on strategic issues.

The CEO has full executive responsibilities over the business direction and operational decisions in managing ESR-LOGOS REIT and is responsible for implementing strategies and policies approved by the Board. He ensures the quality and timeliness of the flow of information between Management and the Board, Unitholders and other stakeholders.

Principle 4: Board Membership
Nominating and Remuneration Committee

The NRC comprises 3 Non-Executive directors. They are:

1. Mr. Ronald Lim (Chairman)
2. Ms. Stefanie Yuen Thio (Member)
3. Mr. Jeffrey Perlman (Member)

The NRC is guided by its written terms of reference with principal functions as follows:

- reviewing of structure, size and composition of the Board and Board Committees;
- reviewing and recommending candidates for the appointment or re-appointment of directors (including alternate directors) to the Board and Board Committees;
- overseeing the appointment of CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Manager (collectively, the key management personnel “KMP”);
- overseeing the development and maintenance of succession plans for the directors and KMP;
- reviewing and recommending a general framework of remuneration for the directors and KMP, which covers all aspects of remuneration, including fees, salaries, allowances, bonuses, option plans and benefits-in-kind; and
- reviewing and recommending to the Board the specific remuneration packages for the directors and KMP.

Selection and Appointment of Directors

The NRC regularly reviews the existing attributes and competencies of the Board in order to determine the desired experience or expertise required to strengthen or supplement the Board. All new appointments, selection and re-appointment of Directors (including alternate directors) are reviewed and proposed by the NRC.

In identifying the right candidate for appointment to the Board, the NRC takes into consideration, among others, the following:

- requirements in the Listing Manual and the CG Code, as well as the factors in the Board Diversity Policy;
- candidate’s capability and how he/she could meet the needs of ESR-LOGOS REIT and simultaneously complement the skillset of other Board members; and
- candidate’s ability to commit available time to discharge his/her responsibilities as a director.

During the search process, the NRC may tap on the personal contacts of current directors, senior management and/or Manager’s shareholders for recommendations of prospective candidates. The NRC will also consider the use of external search firms, where necessary at the Manager’s expense, to source for a diverse slate of candidates (based on our diversity targets) to be presented for consideration. The NRC will then shortlist and interview the candidates to assess their suitability. Once a candidate is selected, the NRC conducts due diligence before putting it up to the Board for approval. Appointment of directors is also subject to MAS’ approval.

Mr. Philip Pearce stepped down as Non-Executive Director and was appointed as alternate director to Mr. Jeffrey Perlman on 3 June 2022. As an Alternate Director, Mr. Philip Pearce bears all the duties and responsibilities as a Director. All rules and procedures that apply to Directors would similarly apply to Mr. Philip Pearce as an Alternate Director. Mr. Philip Pearce is fully apprised of all Board matters, receives notices to attend Board meetings and Board papers, as well as Board resolutions by circulation. In the absence of the principal Director, Mr. Jeffrey Perlman, Mr. Philip Pearce is competent to contribute to the Board on behalf of the principal Director and to discharge the duties as a Director, including but not limited to attending board meetings on behalf of Mr. Jeffrey Perlman, where necessary.

Review of Directors’ Time Commitments

Directors are required to devote sufficient time and attention to the affairs of ESR-LOGOS REIT and the Manager to adequately discharge their duties and responsibilities. The NRC reviews each Director’s major commitments including employment and listed company directorships to determine whether the Director has and can suitably fulfil his/her duties as a director of the Manager.

CORPORATE GOVERNANCE

No limit has been formally set by the Board on the number of listed company board representations and principal commitments of each Director. The Board is of the view that the Director's ability to discharge his/her duties should be evaluated by a qualitative assessment of the Director's contributions, after taking into account his/her other listed company board representations and other principal commitments, and not guided by a numerical limit. A director with multiple directorships and principal commitments is expected to ensure that he/she can devote sufficient time and attention to the affairs of ESR-LOGOS REIT and the Manager.

The Board is satisfied that all Directors have been adequately discharging their duties as Directors of the Manager, notwithstanding their existing multiple board representations and principal commitments.

Key Information Regarding Directors

The key information regarding Directors is set out in pages 26 to 31 of the Annual Report, which covers academic and professional qualifications, board committees served on (as a member or chairman), date of first appointment as a director, date of last re-appointment as a director, directorships both present and those held over the preceding three years in other listed companies, and other principal commitments.

Principle 5: Board Performance

The Board has in place a formal process to annually assess the effectiveness of the Board and the ARCC. The review, which is conducted internally, includes individual Directors completing an evaluation questionnaire that covers both the Board and ARCC composition, access to information, attendance and ability to contribute effectively and have meaningful participation and rigorous decision making during the meetings, strategic planning, risk management, accountability and oversight, directors' development and management. Each Director is allowed to individually express their personal and confidential assessment of the individual directors, the board committees and the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities.

The evaluation results are consolidated (with no specific Directors' contribution mentioned) and presented to the Board for review by both the Chairperson of the Board and Chairman of NRC. Action plans will be implemented for areas which the Board is of the view that improvements are required to enhance the overall effectiveness of the Board and the ARCC.

For FY2022, the outcome of the evaluation was satisfactory. No external facilitator was engaged in the evaluation process.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The NRC has instituted a formal and transparent procedure in developing remuneration policies and framework relating to Directors and KMP of the Manager. Guided by the remuneration framework, the NRC will review on a periodic basis (or as and when there is a significant change to the structure of the Manager):

- the directors' fees and allowances provided to the Independent Directors; and
- remuneration components of the KMP.

In its deliberations, the NRC will take into consideration industry practices and benchmarks against relevant industry players to ensure that its remuneration and employment conditions are competitive. No Director is involved in any decision of the Board relating to his/her own remuneration.

An independent remuneration consultant, Aon, was engaged by the NRC to develop a compensation framework ("Total Compensation Framework") for the Manager. The remuneration consultant has no relationship with ESR-LOGOS REIT or the Manager (including its controlling shareholder or related entities).

Principle 7: Level and Mix of Remuneration Remuneration for Non-Executive Directors

The Manager has adopted a policy that no directors' fees shall be paid to the CEO or any Non-Independent Non-Executive Directors who are representatives of the Manager's shareholders. All Directors are appointed for a period of 3 years and are subject to extension for a further 3 years at the discretion of the Board and the shareholders of the Manager. Accordingly, Directors' fees are established once every 3 years.

Independent Non-Executive Directors are paid a fixed basic fee based on the level of responsibilities at the Board level, and where applicable, additional responsibilities given in other committee set up by the Board. The Chairperson of the Board, ARCC and NRC are paid higher fees compared with members of the Board, ARCC and NRC in view of greater responsibilities carried by those appointments.

Remuneration for Key Management Personnel (including CEO and Deputy CEO)

The NRC seeks to ensure that the level and mix of remuneration for the Manager remain competitive, aligned with Unitholders' interests and promote ESR-LOGOS REIT's long-term success. The NRC also ensures that the remuneration of the CEO shall not be linked to the gross revenue of ESR-LOGOS REIT or the Manager.

The Total Compensation Framework was developed to reflect the following key considerations:

- a) **Alignment to Performance**
 - clear and measurable performance indicators
 - incentives-linked to performance to drive the right behaviour
- b) **Market Practice and Benchmarking**
 - reflects the current market evolution
 - benchmark against market compensation level
- b) **Reflects Business Realities**
 - reflects ESR-LOGOS REIT's strategic priorities and business plan
 - in line with regulatory changes

The framework aims to reward KMP to work towards achieving the strategic goals of ESR-LOGOS REIT as approved by the Board. It promotes a culture of meritocracy and right long-term behaviour in the way the Manager conducts its business by providing clear targets for KMP to motivate performance and efficiency. This allows the Manager to retain outstanding performers and attract good candidates to execute ESR-LOGOS REIT's strategic priorities and business plans.

The remuneration components within the Total Compensation Framework include fixed pay, fixed allowances, short-term incentive ("STI") bonus and long-term incentive ("LTI") plan.

The STI is driven by the Manager Corporate Scorecard where it covers a mixture of financial and non-financial key performance indicators ("KPIs") aligned to both ESR-LOGOS REIT and the Manager. The KPIs include financials such as DPU, debt costs, operating costs, and non-financials such as talent management, occupancy rate and risk management and control processes. Linking STI bonus to the Manager Corporate Scorecard helps to achieve strategic goals of ESR-LOGOS REIT which are aligned to the interests of the Unitholders.

Given the growth profile and footprint of ESR-LOGOS REIT, strategic transactions will likely be a key feature of ESR-LOGOS REIT's business plan. Strategic transactions such as mergers and acquisitions or any other transformational deals can be long-gestated, time and resource consuming, and require special attention, care and often beyond working hours sacrifices. At the same time, employees who are involved in the strategic transactions are still required to handle the daily business-as-usual activities. Within the STI component, an Additional Bonus Pool ("ABP") is included to reward such employees. Once the employee is awarded with ABP, one-third of the award may be vested annually, provided he/she remains in employment with the Manager.

The purpose of the LTI is to reward KMP for achieving the Manager's strategic objectives that maximise Unitholders' value. The LTI payout is conditional upon the achievement of pre-determined performance targets measured over a 3-year period. The award of the LTI will lapse if performance is not met at the end of the performance period.

For FY2022, the Manager carried out a formal annual performance review process to reinforce strengths as well as identify improvements and development plans for KMP. Based on the performance review, the NRC and the Board are of the opinion that most of the performance conditions used to determine the remuneration of KMP were met. The NRC and the Board are of the view that the remuneration is aligned to FY2022 performance and that the Total Compensation Framework is aligned with the long-term interests and risk management policies of ESR-LOGOS REIT and the Manager. There were no ESR-LOGOS REIT units issued to employees of the Manager in FY2022. To date, the Manager has not implemented any unit-linked incentive plan as part of its remuneration package.

Principle 8: Disclosure on Remuneration

The remuneration of Directors and all employees of the Manager is paid by the Manager and not by ESR-LOGOS REIT. All directors' fees as well as fixed pay, variable incentives and allowances to KMP are paid wholly in cash.

CORPORATE GOVERNANCE

The table below sets out the fees paid to the Directors in FY2022:

Board Members	Membership	Directors' Fees Paid in FY2022	Other Fees Paid in FY2022
Ms. Stefanie Yuen Thio ⁽¹⁾	Independent Non-Executive Chairperson	S\$158,000	N.A.
Mr. Nagaraj Sivaram ⁽²⁾	Independent Non-Executive Director	S\$56,167	N.A.
Dr. Leong Horn Kee	Independent Non-Executive Director	S\$90,000	N.A.
Mr. Ronald Lim	Independent Non-Executive Director	S\$105,000	N.A.
Dr. Julie Lo ⁽³⁾	Independent Non-Executive Director	S\$15,000	N.A.
Mr. Jeffrey Perlman ⁽⁴⁾	Non-Executive Director	N.A.	N.A.
Mr. Philip Pearce ⁽⁵⁾	Alternate Director/Former Non-Executive Director	N.A.	N.A.
Mr. Wilson Ang ⁽⁶⁾	Non-Executive Director	S\$75,000	N.A.
Mr. Trent Iliffe ⁽⁷⁾	Non-Executive Director	N.A.	N.A.
Mr. Adrian Chui	CEO and Executive Director	N.A.	N.A.
Mr. Khor Un-Hun ⁽⁸⁾	Former Independent Non-Executive Director	S\$58,602	N.A.
Mr. Ooi Eng Peng ⁽⁹⁾	Former Non-Executive Deputy Chairman	S\$63,960	N.A.
Mr. Tong Jinquan ⁽¹⁰⁾	Former Non-Executive Director	N.A.	N.A.

Notes:

(1) Appointed as a member of NRC on 1 July 2022.

(2) Appointed as Independent Non-Executive Director and member of ARCC on 3 June 2022, and redesignated as Chairman of ARCC on 2 August 2022.

(3) Appointed as Independent Non-Executive Director and member of ARCC on 1 November 2022.

(4) Appointed as the Chairman of EXCO on 1 July 2022.

(5) Stepped down as Non-Executive Director and appointed as alternate director to Mr. Jeffrey Perlman on 3 June 2022.

(6) Resigned as Senior Adviser on 31 October 2019. Mr. Wilson Ang was paid a fixed consultant fee on a monthly basis when he was a Senior Adviser of the Manager. Under ELFM's policy, no director's fee is payable to Non-Independent Non-Executive Directors. Due to the merger with Viva Trust, Mr. Wilson Ang could only be deemed as a Non-Executive Director of the Manager even though he is not a representative of any of the shareholders of the Manager. In appreciation of Mr. Wilson Ang continuing to serve as a Board member to contribute his expertise and experience in managing the REIT, the Board approved to pay Mr. Wilson Ang a remuneration that is equivalent to an Independent Non-Executive Director's fee with effect from November 2019.

(7) Appointed as Non-Executive Director and member of EXCO on 1 July 2022.

(8) Stepped down as Independent Non-Executive Director and Chairman of ARCC on 2 August 2022.

(9) Stepped down as Non-Executive Deputy Chairman, member of ARCC, member of NRC and Chairman of EXCO on 1 July 2022.

(10) Stepped down as Non-Executive Director on 29 July 2022.

The table below sets out the remuneration⁽¹⁾ paid to the KMP (including CEO and Deputy CEO) in FY2022. The total remuneration for the KMP in FY2022 was S\$3,167,647⁽²⁾.

Remuneration of CEO	Fixed Compensation + Statutory Contribution (%)	Short-term Incentives + Statutory Contribution (%)	Long-term Incentives (%)	Total (%)
Between S\$750,000 and S\$1,000,000				
Mr. Adrian Chui	77.5	22.5	0.0	100.0

Remuneration of other KMP	Fixed Compensation + Statutory Contribution (%)	Short-term Incentives + Statutory Contribution (%)	Long-term Incentives (%)	Total (%)
Ms. Karen Lee	69.0	31.0	0.0	100.0
Mr. Don Kok	74.4	25.6	0.0	100.0
Mr. Carlvin Chia	65.1	34.9	0.0	100.0
Mr. Leong Sai Keong	74.0	26.0	0.0	100.0
Ms. Nancy Tan	77.9	22.1	0.0	100.0
Ms. Charlene-Jayne Chang	67.7	32.3	0.0	100.0

Notes:

(1) The amount disclosed includes base salary, allowances, employer's CPF contribution and bonus declared for FY2022.

(2) The remuneration reported for Ms. Karen Lee and Mr. Carlvin Chia is for the period from 5 May 2022 to 31 December 2022.

The Board reviews, on an annual basis, the relationships between employees, shareholders and Directors of the Manager to ensure that there is no conflict of interest. There were no employees of the Manager who were (i) substantial shareholders of the Manager or substantial Unitholders of ESR-LOGOS REIT, or (ii) immediate family members of a director or the CEO or a substantial shareholder of the Manager, or a substantial Unitholder of ESR-LOGOS REIT, and whose remuneration exceeded S\$100,000 during FY2022.

During FY2022, there was no termination, retirement or post-employment benefits granted to the Directors, the CEO and KMP. In addition, none of the directors of the Manager has entered into any service contract directly with ESR-LOGOS REIT.

The Board is cognisant of the requirements stated within the CG Code, its related practice guidance and the "Notice to all Holders of a Capital Markets Services Licence for Real Estate Investment Trust Management" to disclose the exact remuneration amount of each individual Director and the CEO on a named basis and the remuneration of at

least the top five KMP (who are neither Directors nor the CEO) in bands of S\$250,000. In the event of non-disclosure of the aforementioned, the Manager is required to provide reasons for such non-disclosure.

The Board has assessed and decided to disclose the remuneration of CEO in bands of S\$250,000 (instead of the exact quantum) and not to disclose the remuneration of the top six KMP (excluding the CEO) of the Manager in bands of S\$250,000. In arriving at its decision, it took into account the following:

- (i) the remuneration of all the Manager's personnel is paid by the Manager out of the fees that it receives (of which the quantum and basis have been disclosed within the Financial Statements), rather than by ESR-LOGOS REIT. Remuneration of the Directors and the KMP of the Manager (including the CEO) is paid wholly in cash;
- (ii) the remuneration of all the Manager's personnel is not linked to the Manager's profitability;

CORPORATE GOVERNANCE

- (iii) in view of the sensitivity and confidential nature of remuneration matters and the intense competition for talents in the industry, it is not in the best interest of ESR-LOGOS REIT and the Unitholders to disclose the remuneration of the CEO in exact quantum or other KMP in bands of S\$250,000. It is important for the Manager to retain talent for the long-term interests of ESR-LOGOS REIT and the Unitholders, and ensure stability and continuity of business operations with a competent and experienced management team in place; and
- (iv) the non-disclosure of the exact quantum of CEO's remuneration as well as the remuneration of other KMP in bands of S\$250,000 does not compromise the ability of the Manager to meet with requirement of having good corporate governance as the NRC, being an independent committee, reviews the remuneration package of the KMP based on their roles and responsibilities to ensure that the KMP are fairly remunerated.

The Manager is of the view that despite this partial deviation from Provision 8.1 of the CG Code, the above disclosures are consistent with the intent of Principle 8 of the CG Code and would provide sufficient information and transparency to the Unitholders on the Manager's remuneration policies, the level and mix of remuneration accorded to the KMP, and enable the Unitholders to understand the relationship between the REIT's performance, value creation and the remuneration of the KMP.

The Board also noted that the Manager will be required under Rule 1207(10D) of the Listing Manual to disclose the names, exact amounts and breakdown of remuneration paid to each individual director and the CEO in the annual report for the financial years ending 31 December 2024 onwards. Such breakdown must include (in percentage terms) base or fixed salary, variable or performance-related income or bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. The Manager noted the aforementioned SGX's requirements and timeline for compliance and is in the process of reviewing the regulatory requirements.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the overall risk governance and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems. The ARCC supports the Board by providing dedicated oversight of risk management at the Board level, including the setting up of a robust internal control system, and establishing enterprise-wide risk management policies, processes and Risk Appetite Limits to ensure proactive management of key risks (including risks relating to strategic, portfolio, financial, performance and reputation, people, climate change, equity and concentration) to safeguard Unitholders' interests and ESR-LOGOS REIT's assets.

Risk Management Framework and Internal Control System

The Manager has in place an Enterprise Risk Management ("ERM") framework to mitigate any risks exposures through appropriate risk management strategies and internal controls. The framework consists of tools such as ERM Risk Appetite Statements, Key Risk and Control Matrix and Compliance Matrix which are dynamic and evolve with the business, thus providing the Manager a holistic and consistent process for the continuous identification of key risks, management and monitoring of risks as well as regular reporting of the risks to both ARCC and the Board.

The Board, through the ARCC, reviews the adequacy and effectiveness of the internal control policies and procedures, at least annually, to ensure robust risk management and internal control systems are maintained. The internal and external auditors conduct reviews on the adequacy and effectiveness of risk management and internal control systems. Any material non-compliance or lapses together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the ARCC. The ARCC also reviews the adequacy and effectiveness of the measures taken by the Manager on the recommendations made by the internal and external auditors and ensures the timely and proper implementation of all required corrective, preventive or improvement measures.

More information on the ERM framework can be found in the "Risk Management" section on pages 132 to 137 of the Annual Report.

Material Risk Assessment and Management

Both ARCC and the Management periodically reviews the material risks faced by ESR-LOGOS REIT to ensure relevance to the business and economic environment. With the assistance of the internal auditors, periodic risks workshops have been conducted with the involvement of ARCC members and the Manager's Management team via top-down approach as well as bottom-up engagement with the employees of the Managers where key risks were identified, mapped and updated into the existing Key Risk and Control Matrix to ensure the ongoing relevance of the enterprise-wide risks for both the REIT as well as the Manager. In addition, the identified risks would be addressed with mitigating controls and are reviewed by the respective head of departments quarterly (or more frequently if the business environment warrants) and monitored by the ARCC and reported to the Board, to ensure the matrix stays relevant and effective.

If there are any breaches of regulations or any risks that fall outside the risk appetite that ESR-LOGOS REIT and the Manager are willing to undertake, the Board will be alerted and measures and steps would be put in place to reduce the risk level to within the acceptable range.

In line with the strategic objectives of providing Unitholders with a stable income stream and achieving long-term growth in net asset value per unit, the Manager critically analyses each transaction before proceeding. To arrive at an investment decision, the Manager identifies the risk exposures and determines how to mitigate, transfer, manage and/or reduce those risks, where possible, to a level which is appropriate for the corresponding expected return on that investment. Extensive procedures, including due diligence, are carried out at various stages of the investment process. The Board reviews management reports and feasibility studies on proposed acquisitions prepared by the Manager, and approves the proposal if the Board believes it is in the best interests of ESR-LOGOS REIT and the Unitholders to enter into the transaction.

Board's Comment on Risk Management and Internal Controls

The Board has received confirmation from the CEO and CFO of the Manager that, as at 31 December 2022, they were not aware of any events that have arisen which would have a material effect on the financial results of the Group, except as disclosed in the financial statements, and nothing has come to their attention which may render the financial results false or misleading. In addition, they have provided assurances to the Board that the financial records have been properly maintained and the financial statements for FY2022 give a true and fair view of ESR-LOGOS REIT's operations and finances.

The Board and ARCC have also received confirmation from the CEO, Deputy CEO, CFO, Head of Investment, Head of Capital Markets & Investor Relations, Co-Heads of Asset Management, Head of Human Resources and Corporate Services as well as the Head of Compliance & Risk Management, that to the best of their knowledge and belief, the internal controls (including financial, operational, compliance, environmental and IT controls) and risk management system were adequate and effective to address the risks that were relevant and material to ESR-LOGOS REIT's operations.

The bases of confirmation are as follows:

- both internal and external auditors have confirmed that based on their audits conducted, there were no issues to warrant any significant concerns in the risk management and internal control systems of ELFM;
- Compliance Department of the Manager has confirmed the following:
 - based on internal quarterly compliance monitoring reviews conducted, there were no issues to warrant any significant concerns in the areas covered in the compliance monitoring program;
 - there were no issues to warrant significant concerns on the continuous fit and properness of Directors and appointed representatives based on the annual due diligence conducted on them;
 - Key Risk and Control Matrix for each of ESR-LOGOS REIT, ELFM and ESR-LOGOS Property Management (S) Pte Ltd was reviewed and updated on a quarterly basis by the Heads of Departments and IT Manager, to ensure relevance and controls are continuously in place for each risk;
 - quarterly and annual attestations on the risk monitoring tools, quarterly attestations from employees, appointed representatives, Management and Directors in terms of compliance with relevant regulatory requirements;
 - sufficient training hours were attended by all employees;
 - policies and procedures are in place to reduce operational risks and serve as guidance in day-to-day work processes;

CORPORATE GOVERNANCE

- quarterly letter of representation in connection with the unaudited financial statements announcement were provided by CEO and CFO confirming that nothing has come to their attention which may render the result announcements to be false or misleading in any material respect;
- there have been no communications from the relevant regulatory bodies concerning material non-compliance with or deficiencies in the internal controls of ESR-LOGOS REIT and the Manager; and
- there has been no fraud or suspected fraud affecting the Group involving the Management and employees who have significant roles in internal controls.

Based on the above, pursuant to Rule 1207(10) of the Listing Manual, the Board with the concurrence of the ARCC, is of the opinion that the Manager's risk management systems and internal controls (including financial, operational, compliance, environmental and IT controls) were adequate and effective as at 31 December 2022 to address financial, operational, compliance, environmental and IT risks, which the Manager considers relevant and material to ESR-LOGOS REIT's operations. For FY2022, no material weaknesses in the risk management and internal control systems were identified by the ARCC and the Board.

The Board notes that the risk management and internal control systems established by the Manager provide reasonable assurance that the Group will not be significantly affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no risk management and internal control systems could provide absolute assurance in this regard, or against poor judgement in decision-making, human error, losses, fraud or other irregularities.

Principle 10: Audit Committee

The ARCC comprises 5 independent non-executive Directors. They are:

1. Mr. Nagaraj Sivaram (Chairman)
2. Ms. Stefanie Yuen Thio (Member)
3. Mr. Ronald Lim (Member)
4. Dr. Leong Horn Kee (Member)
5. Dr. Julie Lo (Member)

The ARCC members bring with them invaluable experience and professional expertise in the banking, accounting, legal, financial management and real estate areas. Mr. Nagaraj Sivaram is a qualified chartered accountant with many years of experience in audit and assurance. Ms. Stefanie Yuen Thio is an Advocate and Solicitor of The Supreme Court of Singapore and her areas of expertise include mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. Mr. Ronald Lim has extensive experience in the banking and finance industry and Dr. Leong Horn Kee has vast experience in property development and management, including industrial properties. Dr. Julie Lo is a General Counsel of a public healthcare group in Singapore.

The separation of the roles of the Chairperson of the Board and the Chairman of the ARCC ensures greater independence of the ARCC in the discharge of its duties. None of the ARCC members are former partners or directors of ESR-LOGOS REIT's existing audit firm or auditing corporation (a) within a period of two years commencing on the date of their ceasing to be a partner of the audit firm or director of the auditing corporation and (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

The ARCC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any director or staff to attend its meetings. The ARCC also has adequate resources, including access to external consultants, internal and external auditors, to enable it to discharge its responsibilities properly. The ARCC meets with the internal and external auditors, without the presence of Management, on a periodic basis within a year.

Role of ARCC

The ARCC is guided by its written terms of reference with principal functions as follows:

- reviewing significant financial reporting issues and judgements to ensure the integrity of the financial statements of ESR-LOGOS REIT and any announcements relating to ESR-LOGOS REIT's financial performance;
- reviewing, monitoring and reporting to the Board, on an annual basis, the effectiveness and adequacy of the internal controls (including financial, operational, compliance, environmental and IT controls) and risk management system;

- reviewing the assurance provided by the CEO and CFO that the financial records have been properly maintained, and the financial statements give a true and fair view of ESR-LOGOS REIT’s operations and finances;
- reviewing the adequacy, effectiveness, independence, scope and results of the internal audit function;
- reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- recommending to the Board the appointment, reappointment and removal of the external auditors and its remuneration and terms of engagement;
- ensuring compliance with legal, regulatory and internal policies;
- overseeing the establishment and operation of the whistleblowing process;
- ensuring the framework and controls governing interested person transactions and related party transactions adequately protect the interests of ESR-LOGOS REIT and its minority Unitholders; and
- reviewing and approving all interested person transactions to ensure compliance with internal framework, provisions of the Listing Manual and the Property Funds Appendix.

Reviews conducted by the ARCC

During FY2022, the ARCC reviewed the interim and annual financial results for recommendation to the Board for approval. The ARCC’s oversight of financial reporting includes the review of changes in Financial Reporting Standards and discussions with Management and the external auditors on the impact of current and impending changes on financial reporting by the Group.

In the review of the financial statements for FY2022, the ARCC had discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The ARCC also reviewed, among other matters, the following key audit matters identified by the external auditors for FY2022:

Key Audit Matters	How this issue was addressed by ARCC
<p>Valuation of investment properties held directly or through joint venture and investments at fair value through profit or loss</p>	<p>The ARCC considered the approach and methodology applied by independent valuers in arriving at the valuation of the investment properties held directly or through joint venture and investments at fair value through profit or loss.</p> <p>The ARCC reviewed the reasonableness of key assumptions used in deriving the valuations (including market rental growth, price per square metre, terminal yield, capitalisation and discount rates) by comparing them against current and historical rates and available industry data, taking into consideration comparability and market factors. Where the assumptions were outside the expected range, the ARCC also sought confirmation from both the Management and External Auditors to understand the effects of additional factors taken into account in the valuations and assessed whether the assumptions and market data used were reasonable in the context of the current environment.</p> <p>The ARCC was satisfied with the valuation process, the methodologies used and the valuation of the investment properties held directly or through joint venture and investments at fair value through profit or loss.</p>
<p>Accounting for the acquisition of ALOG</p>	<p>The ARCC considered Management’s judgement that the merger with ALOG (the “Merger”) on 22 April 2022 was an acquisition of assets, as opposed to a business combination.</p> <p>The ARCC held discussions with Management to understand the transaction steps taken and the key terms in the transaction agreements to determine the appropriateness of Management’s assessment that there were no integrated set of activities being acquired as part of the Merger. Integrated set of activities includes significant processes such as strategic management and operational processes.</p> <p>The ARCC was satisfied with the accounting of the Merger as an acquisition of assets.</p>

Following the review and discussion, the ARCC recommended to the Board to approve the FY2022 financial statements.

CORPORATE GOVERNANCE

External Audit

Ernst & Young LLP (“EY”) was appointed as the external auditors of ESR-LOGOS REIT since 25 April 2017. The ARCC reviewed and approved the audit plan and scope with the external auditors and critically reviewed the report on the audit of the financial statements.

Throughout the year in review, the ARCC, together with the Management, reviewed the quality of work done, the performance as well as the independence of the external auditors. The aggregate amount of fees paid/payable to the external auditors for FY2022 was S\$868,000, of which audit and non-audit fees amounted to S\$597,000 and S\$271,000¹ respectively. The ARCC has undertaken a review of all non-audit services provided by the external auditors and is satisfied that the independence and objectivity of the external auditors have not been impaired by the provision of those services.

In reviewing the nomination of EY for re-appointment as external auditor of ESR-LOGOS REIT and its subsidiaries until the conclusion of the next AGM, the ARCC had conducted the evaluation of EY via both a checklist, which had taken into consideration the Accounting and Corporate Regulatory Authority’s Audit Quality Indicators Disclosure Framework, as well as a face-to-face evaluation session. The ARCC had also considered the adequacy and experience of the engagement partner and key team members assigned, EY’s experience in the REIT sector and the size and complexity of the audit in the evaluation process. Based on the evaluation results, the ARCC is satisfied with the independence and performance of EY and has recommended to the Board the re-appointment of EY as the external auditors of ESR-LOGOS REIT and its subsidiaries at the forthcoming AGM. The Board has taken into account ARCC’s recommendation and concurred with ARCC’s endorsement.

Accordingly, the Manager confirms that ESR-LOGOS REIT complies with Rules 712 and 715 of the Listing Manual with respect to the appointment of external auditors.

Internal Audit

Given the Manager’s size and scale of operations, the internal audit function is outsourced to PricewaterhouseCoopers LLP (“PwC”) that reports directly to the ARCC Chairman and administratively to the Management. The ARCC approves the appointment, removal, evaluation as well as the compensation of the internal auditor. The ARCC also reviews and approves the annual internal audit plan, the results of internal audit visits and Management’s actions in resolving any audit issues reported.

PwC adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors and has unfettered access to all ESR-LOGOS REIT’s and Manager’s documents, records, properties and personnel including the ARCC.

An annual internal evaluation was also conducted on PwC by the ARCC and the Management to evaluate the performance and effectiveness of the internal auditor. The ARCC reviewed the scope of internal audit work and the audit program as well as the reports submitted by PwC and is satisfied that the internal audit function is independent, effective, adequately resourced, and has appropriate standing within the Manager to perform its functions effectively.

Whistleblowing Policy

The Manager is committed to conduct its business within a framework that fosters the highest ethical and legal standards.

The Manager has established a Policy on Whistleblowing which has been communicated to all employees and details of the policy are available on its website. Employees of the Manager and any external parties may raise, in good faith and in confidence, any concerns about possible improprieties in matters of financial reporting or other matters to the ARCC Chairman, without fear of reprisals by submitting a whistleblowing report using the prescribed form found on ESR-LOGOS REIT’s website at www.esr-logosreit.com.sg/whistleblowing.html.

The ARCC has the responsibility of overseeing this policy to ensure it is properly administered. Valid reports made in good faith will be investigated independently and appropriate follow-up action will be taken upon direction by the ARCC Chairman. All information and reports are received confidentially to protect the identity and the interest of all whistleblowers.

¹ The non-audit fee reported is in relation to services rendered by EY to the enlarged REIT after the Merger. Contracted fee that was earned by EY for services rendered to ARA LOGOS Logistics Trust prior to the Merger amounted to S\$278,000.

UNITHOLDER RIGHTS AND ENGAGEMENT & MANAGING STAKEHOLDER RELATIONSHIPS

Principle 11: Unitholder Rights and Conduct of General Meetings

The Manager is committed to treating all Unitholders fairly and equitably in order to enable them to exercise their Unitholders' rights and have the opportunity to communicate their views on matters affecting ESR-LOGOS REIT. The Board is responsible for providing a balanced and understandable assessment of ESR-LOGOS REIT's performance, position and prospects within their reports and announcements to Unitholders. The Board is supported by the Management who provides the Board with relevant and accurate information on ESR-LOGOS REIT's performance on a timely basis to enable the Board to effectively discharge its duties.

The Manager has in place a Policy on Market Disclosure which governs the timely and accurate disclosure of information via SGXNet. Financial results, press releases, analyst presentation slides and other price sensitive information are disseminated through announcements via SGXNet and ESR-LOGOS REIT's website in a timely manner to assist Unitholders and investors in their investment decisions.

General Meetings

Unitholders are entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at these meetings. Any unitholder who is unable to attend these meetings in person is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent before the proxy submission cut-off time. Unitholders who are Relevant Intermediaries (as defined in the Companies Act 1967) may appoint more than two proxies to attend, speak and vote at general meetings of ESR-LOGOS REIT.

A separate resolution is proposed for each distinct issue at the general meeting. These resolutions are not bundled or made inter-conditional on each other, unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are bundled, the reasons and material implications are explained. Information is also provided on each resolution to enable Unitholders to exercise their votes on an informed basis.

To ensure transparency, each resolution proposed will be voted by way of electronic poll voting for Unitholders/proxies present at the meetings. The voting and vote tabulation procedures are declared before the voting commences, and an independent scrutineer is appointed to validate the vote tabulation and procedures. Results of the poll voting (votes cast for or against or abstain from voting, and their respective percentages) are disclosed immediately at the meeting after the conduct of each poll, and also announced in a timely manner after the meeting via SGXNet.

Unitholders are informed of general meetings through notices (such notice will also be published on SGXNet, newspapers and ESR-LOGOS REIT's website) sent to them in accordance with the requisite notice period. As part of the sustainability efforts and in line with ESR-LOGOS REIT's Trust Deed, printed copies of accompanying annual reports or circulars will only be despatched to Unitholders upon request. Electronic copy of the accompanying annual reports or circulars are available for download from the SGXNet and ESR-LOGOS REIT's website.

Unitholders are informed of the rules governing general meetings and are given the opportunity to communicate their views, ask questions and discuss with the Board and Management on matters affecting ESR-LOGOS REIT. All Directors, together with the Management, representatives of the trustee and other relevant professionals (where necessary) are in attendance for the entire duration of the general meetings to address queries that Unitholders may have. The external auditors are also present to answer Unitholders' questions about the conduct of audit and the preparation and content of the auditors' report.

The Trust Deed currently does not permit Unitholders to vote at general meetings in absentia (such as via mail, email or fax). Despite the deviation from Provision 11.4 of the CG Code, Unitholders nevertheless have opportunities to communicate their views on matters affecting ESR-LOGOS REIT even when they are not in attendance at general meetings. For example, Unitholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings. The Manager will consider changing the Trust Deed to accommodate for absentia voting once the legislative changes to recognise remote voting is formalised.

CORPORATE GOVERNANCE

The Manager publishes minutes of the general meetings on both SGXNet and ESR-LOGOS REIT's website as soon as practicable following the meetings. The minutes will record substantial and relevant comments or queries from Unitholders relating to the meetings, and responses from the Board and Management.

The AGM for FY2021 was conducted via hybrid means in accordance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("COVID-19 Temporary Measures Order") and the checklist jointly issued by ACRA, MAS and SGX RegCo, which gave guidance to listed and non-listed entities on the conduct of general meetings in the midst of the COVID-19 pandemic.

The Manager noted that the COVID-19 Temporary Measures Order will be revoked from 1 July 2023 and all issuers listed on the SGX-ST will have to conduct their general meeting via physical mode from the date of revocation. In addition, Singapore has stepped down the Disease Outbreak Response System Condition (DORSCON) level from Yellow to Green from 13 February 2023, and most of the related safe management measures implemented by the relevant regulatory authorities have been lifted. As such, the Manager will be holding the forthcoming AGM in a wholly physical format where Unitholders will be able to raise questions and vote in person at the AGM. There will be no option for Unitholders to participate virtually. However, the Unitholders will still be accorded the opportunity to ask questions prior to the AGM and during the AGM. Arrangements relating to the submission of questions to the Chairman of the meeting in advance of, or at the AGM, and voting at the AGM by Unitholders or their duly appointed proxy(ies), are set out in the notice of AGM dated 4 April 2023.

Distribution Policy

ESR-LOGOS REIT's distribution policy is to distribute at least 90% of its annual distributable income, comprising income from the letting of its properties after deduction of allowable expenses. The actual level of distribution will be determined at the Manager's discretion taking into account the needs of ESR-LOGOS REIT for capital expenditure, working capital requirements and the liquidity position of ESR-LOGOS REIT. Since the listing in 2006, ESR-LOGOS REIT has distributed 100% of its taxable income to its Unitholders.

Principle 12 & 13: Engagement with Unitholders and Other Stakeholders

The Manager upholds a strong culture of timely disclosure and transparent communication with Unitholders, the investing community and other stakeholders. The Manager's disclosure policy requires timely and accurate disclosure of financial results and material information relating to ESR-LOGOS REIT by way of announcements on the SGXNet and ESR-LOGOS REIT's website.

In addition to the release of mandatory financial results within the relevant periods prescribed by the Listing Manual, the Manager also provides interim updates to keep all Unitholders and other stakeholders informed of ESR-LOGOS REIT's performance and latest corporate developments on a timely and consistent basis.

Investor Relations

The Manager has in place a dedicated investor relations team to facilitate effective communications with Unitholders, investors, the investment community, analysts and the media. The Manager actively engages with Unitholders and other stakeholders with a view to solicit and understand their views, and has established an Investor Relations and Corporate Communication Policy to promote regular, effective and fair communications with Unitholders and other stakeholders.

ESR-LOGOS REIT's website allows Unitholders and other stakeholders to access latest ESR-LOGOS REIT's information such as announcements, financial statements, investor presentations, annual and sustainability reports. The website provides visitors with the option to sign up for a free email alert service to receive real-time notification of new information posted on the website or provide any feedback via the electronic feedback form. In addition, the Manager also provides the specific investor relations contact on the website to allow Unitholders and other stakeholders to ask questions and receive responses in a timely manner.

More information on how the Manager communicates with the Unitholders and other stakeholders are set out on pages 42 to 46 of the Annual Report, under "Investor Engagement".

DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual, the Manager has established a Policy on Dealing in Securities, setting out the guidelines for dealing in ESR-LOGOS REIT units by its Directors and employees.

Directors and employees of the Manager are discouraged from dealing in ESR-LOGOS REIT units on short-term considerations. They are also expected to observe the insider trading laws at all times and strictly prohibited to deal in ESR-LOGOS REIT units in the following instances:

- (i) during the period commencing two weeks prior to the announcement of ESR-LOGOS REIT's business updates for the first and third quarter of the financial year, and ending on the date of the announcement of the relevant business updates;
- (ii) during the period commencing one month before the announcement of ESR-LOGOS REIT's half year and full year financial results, and ending on the date of the announcement of the relevant results (together with (i) above, the "Black-out Period"); and
- (iii) at any time whilst in possession of undisclosed material or price-sensitive information.

The above restrictions in dealing in ESR-LOGOS REIT units also apply to the Property Manager.

Prior to the commencement of each Black-out Period, an email would be sent to all Directors and employees to inform them of the duration of the Black-out Period and remind them not to trade during this period or whenever they are in possession of undisclosed material information.

The SFA requires each Director to give notice to the Manager of any changes in the number of ESR-LOGOS REIT units which he/she holds, or in which he/she has an interest, within two business days after the occurrence of the event giving rise to changes in the number of ESR-LOGOS REIT units which he/she holds, or in which he/she has an interest, as applicable. All dealings in ESR-LOGOS REIT units by the Directors are to be announced on the SGXNet.

In addition, any changes to Manager's holdings in ESR-LOGOS REIT units will be announced on the SGXNet within one business day after the date on which it acquires or disposes of any such units.

REVIEW PROCEDURES FOR INTERESTED PARTY TRANSACTIONS ("IPTS")

The Manager has established an internal control system to ensure that all transactions involving the trustee and any related party of the Manager or ESR-LOGOS REIT are undertaken on an arm's length basis with normal commercial terms, are not prejudicial to the interests of ESR-LOGOS REIT and the Unitholders, and are in accordance with the applicable guidelines that may be prescribed from time to time.

In respect of such transactions, the Manager must demonstrate to the ARCC 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 valuations from independent valuers, in accordance with the Property Funds Appendix.

In addition, the review and approval procedures include the following:

- transactions equal to or exceeding S\$100,000 in value but below 3% of the value of ESR-LOGOS REIT's latest audited net tangible assets, are subject to review by the ARCC at regular intervals;
- transactions equal to or exceeding S\$100,000 in value (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3%, but below 5% of the value of ESR-LOGOS REIT's latest audited net tangible assets, are subject to the review and prior approval of the ARCC. Such approval will only be given if the transactions are on normal commercial terms and consistent with similar types of transactions made by trustee with third parties who are unrelated to the Manager; and
- transactions equal to or exceeding S\$100,000 in value (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) and equal to or exceeding 5% of the value of ESR-LOGOS REIT's latest audited net tangible assets, are reviewed and approved by the ARCC who may, as it deems fit, request advice on the transaction from independent sources or advisers, including obtaining valuations from independent valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions are to be approved by the Unitholders at a meeting of Unitholders.

CORPORATE GOVERNANCE

Where matters concerning ESR-LOGOS REIT relate to transactions entered into, or to be entered into, by the trustee for and on behalf of ESR-LOGOS REIT with a related party of the Manager or ESR-LOGOS REIT, the trustee is also required to ensure that such transactions are conducted on normal commercial terms and are not prejudicial to the interests of ESR-LOGOS REIT and the Unitholders.

Furthermore, 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 ESR-LOGOS REIT. If the trustee is to sign any contract with a related party of the Manager or ESR-LOGOS REIT, the trustee will review the contract to ensure that it complies with the requirements relating to IPTs in the Property Funds Appendix and the provisions of the Listing Manual relating to IPTs, as well as such other guidelines issued by MAS and the SGX-ST that apply to REITs. All IPTs and related party transactions (and the basis, quotation obtained to support its basis) entered into are maintained in records by the Manager and reviewed by the ARCC.

DEALINGS WITH POTENTIAL CONFLICTS OF INTEREST

In dealing with potential conflicts of interest issues which the Manager may encounter in managing ESR-LOGOS REIT, the Manager has instituted the following procedures:

- all executive officers are employed by the Manager;
- all resolutions in writing of the Board in relation to matters concerning ESR-LOGOS REIT must be approved by a majority of the Directors, including at least one Independent Director;
- target to have at least half of the Board comprised Independent Directors;
- in respect of the matters in which a director or his/her associates have an interest, direct or indirect, such interested director will notify his/her interest and, where appropriate, abstain from voting and recuse himself/herself from any discussion on the matter. In addition, all materials pertaining to the transaction, including but not limited to pitching materials, term sheets, board papers and presentations, discussions relating to the transaction, minutes of meeting, clarifications to Board members and follow ups, etc. will not be distributed or shared with the conflicted Director. In such matters, the Board may also seek external professional advice to assist in its deliberations;
- matters in which any of the shareholders of the Manager has an interest (whether directly or indirectly), the nominee director appointed by the relevant shareholder shall abstain from voting and recuse himself/herself from any discussion in such matters and the quorum must comprise a majority of the Independent Directors. In addition, all materials pertaining to the transaction, including but not limited to pitching materials, term sheets, board papers and presentations, discussions relating to the transaction, minutes of meeting, clarifications to Board members and follow ups, etc. will not be distributed or shared with the conflicted Director;
- all IPTs equal to or exceeding S\$100,000 in value must be reviewed by the ARCC and approved by a majority of the ARCC members. If a member of the ARCC has an interest in a transaction, he/she will, where appropriate, abstain from voting and recuse himself/herself from the discussion;
- under the Trust Deed, other than a meeting convened for the removal of ESR-LOGOS REIT as the Manager, the Manager, the controlling shareholders of ESR-LOGOS REIT and their respective associates are prohibited from voting or being counted as part of a quorum for any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest;
- 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 ESR-LOGOS REIT with an affiliate of the Manager, the Manager shall be obliged to consult with a reputable law firm (acceptable to the trustee) for legal advice on the matter. If the law firm is of the opinion that the trustee, on behalf of ESR-LOGOS REIT, has a prima facie case against the party allegedly in breach under such agreement, the Manager is obliged to take appropriate action in relation to such agreement;
- the Manager ensures that the CEO is fully committed to ESR-LOGOS REIT's operations as he is employed full-time in the day-to-day operations of the REIT and the Manager and he does not take up any executive role in another entity; and

- In 2022, an ad-hoc Transaction Review Committee (“TRC”), a subcommittee of the Board, was set up to assist the Board in ensuring the process from pitching to closing of any open/close tender bids transaction relating to IPT has been conducted fairly, properly and has demonstrated a higher standard of good corporate governance process and with due care exercised as compared to transactions with no bidding process.

For details on TRC, please refer to page 142 of the Annual Report.

The TRC is not expected to be a standing committee but rather on an “ad-hoc” basis depending on the type of IPT being contemplated and/or as directed by the Board. For “Business-As-Usual” (“BAU”) type of IPT (e.g., individual asset or portfolio acquisitions), TRC may not be activated as typical IPT governance processes would have been covered under the ARCC.

DISCLOSURES ON FEES PAYABLE TO THE MANAGER

Pursuant to the CIS Code, where fees are payable to the Manager out of the deposited property of ESR-LOGOS REIT, the methodology and rationale for each type of fee payable should be disclosed. Details on the methodology is disclosed in Note 1 of the audited financial statements for FY2022. The various fees earned by the Manager are elaborated below:

Management Fees

The Manager is entitled to receive a base fee and performance fee for the management of ESR-LOGOS REIT’s portfolio. The payment for the total of base fee and performance fee is capped at 0.8% of ESR-LOGOS REIT’s total deposited property value per annum under the Trust Deed Clause 15.1.3. The amount in excess of the fee cap will be carried forward for payment in future financial years.

(a) Base Fee

The Base Fee enables the Manager to cover operational and administrative overheads incurred in the management of the portfolio. The fee is computed at 0.5% per annum of the deposited property value in accordance with Clause 15.1.1 of the Trust Deed, subject to there being no double counting of fees where a related party of the Manager has charged an asset management fee to a subsidiary of the Trust. The fee is calculated at a percentage of asset value as the asset value provides an appropriate metric to determine the resources for managing the assets.

Based on the Manager’s election, the fee is payable in cash, units or a combination of both. Under the Trust Deed, the cash component of the base fee is payable monthly in arrears within 30 days after the last day of each calendar month while the unit component of the base fee is accrued and issued within 30 days after the last day of each calendar quarter.

The issue price for the Manager’s base fees payable in units is determined based on the volume weighted average traded price for a unit for all the trades done in the ordinary course of trading on the SGX-ST for the last 10 business days immediately preceding the end of the relevant calendar quarter.

(b) Performance Fee

The Manager’s performance is measured by the growth in distribution per unit (“DPU Growth Model”) of ESR-LOGOS REIT subject to the DPU threshold being met.

The performance fee under the DPU Growth Model is computed at 25% of the growth in DPU for such financial year multiplied by the weighted average number of units in issue for such financial year. The DPU growth is measured by the excess of DPU for such financial year to the highest DPU achieved by ESR-LOGOS REIT in the previous years for which a performance fee was payable (“Highest DPU Threshold”). Whenever a performance fee is earned, the Highest DPU Threshold will be adjusted to the highest DPU achieved. In order to be eligible for a performance fee in future, the Manager would have to outperform the adjusted Highest DPU Threshold.

CORPORATE GOVERNANCE

The pegging of the performance fee to DPU aligns the interest of the Manager with those of Unitholders as the compensation commensurate with the value the Manager delivers to Unitholders as a whole in the form of DPU. With DPU Growth Model, the Manager will be committed to providing the Unitholders with stable distribution on a more sustainable basis. The Manager is motivated to increase DPU through the efficient portfolio management, astute cost management and effective use of debt and equity. This can be achieved by proactive organic and external growth strategies such as asset enhancement initiatives, acquisitions, developments and divestments to continually rebalance the portfolio and achieve income accretions. Taking on short-term risks is deterred as the Manager strives to achieve sustainability.

The fee is payable in cash, units or a combination of both at the option of the Manager. Under Clause 15.1.2 of the Trust Deed, the performance fee payable whether in cash or units, is payable in arrears within 30 days after the last day of each financial year.

The issue price for the performance fees payable in units is determined based on the greater of five business day volume-weighted average price ("VWAP") before and after the relevant financial year (i.e. 10 days VWAP in total) and gross asset value per unit.

Acquisition Fee and Divestment Fee

Acquisition fee earned by the Manager is contingent upon the successful completion of property acquisitions. This fee seeks to motivate and compensate the Manager for its efforts expended to continually seek out and acquire accretive assets to increase sustainable returns for Unitholders.

The Manager is entitled to receive an acquisition fee of 1.0% of each of the following as is applicable, subject to there being no double-counting:

- (i) the purchase price, excluding GST, of any real estate acquired, whether directly by ESR-LOGOS REIT or indirectly through a special purpose vehicle;

- (ii) the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-LOGOS REIT's interest in such real estate) where ESR-LOGOS REIT invests in any class of real estate related assets, including any class of equity, equity-linked securities and/or securities issued in real estate securitisation, of any entity directly or indirectly owning or acquiring such real estate, provided that:

- ESR-LOGOS REIT shall hold or invest in at least 50% of the equity of such entity; or
- if ESR-LOGOS REIT holds or invests in 30% or more but less than 50% of the equity of such entity, ESR-LOGOS REIT shall have management control of the underlying real estate and/or such entity;

- (iii) the value of any shareholder's loan extended by ESR-LOGOS REIT to the entity referred to in paragraph (ii) above, provided that the provision in paragraph (ii) is complied with; and
- (iv) the value of any investment by ESR-LOGOS REIT in any loan extended to, or in debt securities of, any property corporation or other special purpose vehicle owning or acquiring real estate, (where such investment does not fall within the ambit of paragraph (ii)) made with the prior consent of the Unitholders passed by ordinary resolution at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Divestment fee earned by the Manager is contingent upon the successful completion of property divestments. This fee seeks to motivate and compensate the Manager for its efforts expended to continually rebalance the portfolio and maximise value received by ESR-LOGOS REIT in the divestment.

A divestment fee of 0.5% of each of the following as is applicable, subject to there being no double-counting:

- (i) the sale price, excluding GST, of any investment of the type referred to in paragraph (i) above for the acquisition fee;
- (ii) in relation to an investment of the type referred to in paragraph (ii) above for the acquisition fee, the value of any underlying real estate (pro-rata, if applicable, to the proportion of ESR-LOGOS REIT's interest in such real estate);

- (iii) the proceeds of sale, repayment or (as the case may be) redemption of an investment in a loan referred to in paragraph (iii) above for the acquisition fee; and
- (iv) the value of an investment referred to in paragraph (iv) above for the acquisition fee.

The acquisition or divestment fee enables the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition or divestment opportunities, including but not limited to due diligence efforts and man hours spent in evaluating the transaction or marketing and maximising the divestment price.

Where the acquisition or divestment fees are to be paid to the Manager for the acquisition of assets from an interested party or divestment of assets to an interested party, such fees are paid in the form of units based on the last 10 days VWAP prior to the completion date of the transaction. These units should not be sold for a period of one year from their date of issuance. As the Manager's interest is closely tied to the performance of DPU, this ensures that the related party transaction performs and contributes to Unitholders' returns.

Development Management Fee

The Manager is entitled to receive a development management fee equivalent to 3.0% of the total project costs incurred in a development project undertaken by the Manager on behalf of ESR-LOGOS REIT, subject to fulfilling a pre-determined list of conditions as prescribed in Clause 15.7 of the Trust Deed. The development management fee is payable to the Manager to incentivise the Manager to undertake development projects, including but not limited to asset enhancement initiatives, build-to-suit and redevelopment projects, on behalf of ESR-LOGOS REIT to enhance its property portfolio, and to compensate the Manager for its time, costs and effort expended in managing development projects. By undertaking development projects on behalf of ESR-LOGOS REIT, it can improve the yield of ESR-LOGOS REIT's property portfolio, increase its distributable income and enhance its long-term value.

Where real estate or real estate related assets are purchased, invested in or acquired for development, no acquisition fee in relation to such purchase, investment or acquisition shall be paid to the Manager. Instead, the Manager will receive the development management fee for the development project.

The development management fee shall be payable in equal monthly instalments over the construction period of each development project based on the Manager's best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs have been finalised.

The Manager may opt to receive the development management fee in the form of cash or a combination of cash and units in such proportions as it may determine. Where part of the development management fee is to be received in the form of units, the Manager shall be entitled to receive such number of units as may be purchased for the relevant amount of the development management fee at an issue price equivalent to the VWAP of the units for the last 10 business days of the relevant calendar quarter for which such fees relate to.