



FIRST REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 October 2006 (as amended))

RESPONSE TO SGX-ST'S QUERY ON ANNUAL REPORT FY2019

The Board of Directors of Bowsprit Capital Corporation Limited, in its capacity as manager of First Real Estate Investment Trust ("**First REIT**", and as manager of First REIT, the "**Manager**"), wishes to announce the following in response to a query received by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 28 April 2020 relating to First REIT's Annual Report for the financial year ended 31 December 2019 ("**FY2019 Annual Report**").

Query:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Response:

Provision 8.1 of the Code states as follows: "The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of: (a) each individual director and the CEO; and (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel."

The Manager would like to clarify that it has disclosed on page 64 of the FY2019 Annual Report, the remuneration of all of the directors of the Manager.

In relation to the remuneration of the CEO and the top five key management personnel, the Manager has disclosed on page 65 of the FY2019 Annual Report the reasons why the Manager's board of directors ("**Board**") had determined not to disclose the quantum of remuneration of the CEO and the top five key management personnel and the factors it had taken into consideration in making such determination. The Manager would like to elaborate on the reasons as follows:

- (i) due to the commercial sensitivity and confidential nature of staff remuneration matters, the Manager is of the view that such disclosures could be prejudicial to the interests of unitholders of First REIT ("**Unitholders**");
- (ii) given the competitive business environment which First REIT operates in, the Manager faces significant competition for talent in the REIT management sector, and it had not disclosed the remuneration of the key executives including the CEO so as to minimise potential staff movement and undue disruption to its management team which would be prejudicial to the interests of Unitholders; and

- (iii) it is important for the Manager to ensure stability and continuity of its business by retaining a competent and experienced management team and being able to attract talented staff and disclosure of the remuneration of the key executives including the CEO would make it difficult to retain and attract talented staff on a long term basis.

The FY2019 Annual Report had also disclosed in detail on pages 65 and 66 the components of the CEO's and the key management personnel's remuneration, comprising the fixed salary and performance bonus, the annual appraisal process and the factors which are taken into account in assessing performance of the CEO and key management personnel and which go towards determination of the performance bonus, including but not limited to, (in the case of the CEO) unit price performance and distribution per unit yield, containment of corporate and operation costs, effective capital management, efforts to improve and maximise profit of the Manager and First REIT, effectiveness and productivity of acquisitions and quality of risk management and control, and (in the case of the key management personnel) improvement in the net property income, distributable amount and distribution per unit of First REIT. The disclosure of these performance metrics show the relationship between the CEO's and the key management personnel's remuneration and the performance and long term value creation for First REIT. In addition, the FY2019 Annual Report also disclosed that all of the remuneration of the employees of the Manager is paid in cash and there are no employee share or unit schemes.

Taking into account the reasons why disclosure of the exact quantum of the remuneration of the CEO and key management personnel would be prejudicial to the interests of Unitholders and the disclosure of the remuneration policies, composition of remuneration, appraisal process and performance metrics which go towards determination of the performance bonus of the CEO and key management personnel which , the Board has determined that there is sufficient transparency on the Manager's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation consistent with the intent of Principle 8.

By Order of the Board

Tan Kok Mian Victor
Executive Director and Chief Executive Officer
Bowsprit Capital Corporation Limited
(As Manager of First REIT)

30 April 2020