



**CDL HOSPITALITY TRUSTS**

A stapled group comprising:

**CDL HOSPITALITY REAL ESTATE INVESTMENT TRUST**

(a real estate investment trust constituted on 8 June 2006 under the laws of the Republic of Singapore)

**CDL HOSPITALITY BUSINESS TRUST**

(a business trust constituted on 12 June 2006 under the laws of the Republic of Singapore)

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**RESPONSE TO SGX-ST'S QUERY ON THE ANNUAL REPORT  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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In response to the query raised by Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 13 May 2020, the Boards of Directors of M&C REIT Management Limited, as manager of CDL Hospitality Real Estate Investment Trust ("**H-REIT**"), and M&C Business Trust Management Limited, as trustee-manager of CDL Hospitality Business Trust ("**HBT**") (collectively, the "**Managers**"), wish to provide further information as follows:

SGX-ST's 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. 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.

Managers' Response:

The Managers refer to page 98 of the Annual Report of CDL Hospitality Trusts for the financial year ended 31 December 2019 (the "**Annual Report**") where both the Board fee structure and a breakdown of the aggregate Directors' Fees received by each Director for the financial year ended 31 December 2019 were disclosed.

In relation to the remuneration of the top five executive officers (including the Chief Executive Officer ("**CEO**")), the Managers have disclosed on page 98 of the Annual Report that the Boards of the Managers have assessed and decided against the disclosure of the remuneration of the top five executive officers (including the CEO) on a named basis, whether in exact quantum or bands of S\$250,000 and the total remuneration paid in aggregate to the top five key management personnel (who are not directors or the CEO), and believe that the interests of the Stapled Security Holders will not be prejudiced as a result of such non-disclosure, for the following reasons:

- due to the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the area of real estate investment trusts and business trusts, such disclosure of remuneration information may give rise to recruitment and talent retention issues;
- the negative impact to H-REIT and HBT if members of the experienced and qualified management team are poached individually and/or collectively, thereby affecting both the ability to nurture a sustainable talent pool and ensure the smooth continuity of leadership to achieve business and operations objectives of H-REIT and HBT;

- there is no misalignment between the remuneration of the executive officers and the interest of Stapled Security Holders, given that their remuneration is not linked to the gross revenue of H-REIT or HBT and are paid out of the own assets of the Managers; and
- there is full and frank disclosure regarding the total amount of fees paid to H-REIT Manager and HBT Trustee-Manager in Note 18 of the Notes to the Financial Statements.

Page 97 of the Annual Report had also set out the components of the remuneration packages for employees, including the CEO, which comprise a fixed base component (in the form of a base salary) and a variable component (which includes variable, year-end annual and special bonuses). The variable component is determined by the individual's performance, competitive market practices and information gathered from market surveys conducted by independent human resource consultants as well as the Managers' overall performance in each specific year. The remuneration structure is also directly linked to CDLHT and individual performance of the CEO and executive officers, both in terms of financial and non-financial performances by incorporating appropriate key performance indicators ("KPIs") and competency reviews for the awarding of annual cash incentives. Some of these KPIs include key financial indicators, risk management, compliance and controls measures, employee engagement and talent development. The framework provides a link for staff in understanding how they contribute to the Managers' overall strategic goals. The Annual Report also disclosed that the remuneration of the Directors, executive officers and employees are paid in cash only and no compensation is payable to any Director, executive officer or employee of the Managers in the form of options in Stapled Securities or pursuant to any bonus or profit-sharing plan or any other profit-linked agreement or arrangement, under the service contracts.

For the aforementioned reasons, which were already disclosed in the Annual Report, the Managers are of the view that their practice is consistent with the intent of Principle 8 of the Code as a whole.

By Order of the Board

Soo Lai Sun  
Enid Ling Peek Fong  
Company Secretaries  
M&C REIT Management Limited  
(Company Registration No. 200607091Z)  
as manager of CDL Hospitality Real Estate Investment Trust

15 May 2020

By Order of the Board

Soo Lai Sun  
Enid Ling Peek Fong  
Company Secretaries  
M&C Business Trust Management Limited  
(Company Registration No. 200607118H)  
as trustee-manager of CDL Hospitality Business Trust

15 May 2020

**IMPORTANT NOTICE**

The value of Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, the H-REIT Manager, the HBT Trustee-Manager or any of their respective affiliates. An investment in Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request that the H-REIT Manager and the HBT Trustee-Manager redeem or purchase their Stapled Securities while the Stapled Securities are listed. It is intended that the holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST. Listing of the Stapled Securities on the SGX-ST does not guarantee a liquid market for the Stapled Securities.