

## **RESPONSE TO FEEDBACK RECEIVED – MANDATORY AGM REQUIREMENT FOR REITS**

On 26 May 2009, MAS issued a consultation paper inviting comments on a proposal to mandate that Real Estate Investment Trusts (“REITs”) hold annual general meetings (“AGMs”). The consultation period closed on 26 June 2009.

MAS thanks the respondents for their comments. Most respondents welcomed the move to introduce AGMs for REITs and felt that AGMs would provide unitholders a formal communication channel with REITs managers, as is the case for listed companies.

MAS will proceed with the proposal to mandate that REITs hold AGMs once every calendar year, starting from 1 Jan 2010. Comments which are of wider interest and our responses are set out below.

### **Agenda of AGMs**

#### Public Comments:

Respondents sought greater clarity over whether MAS would be prescribing an agenda for the AGMs of REITs. Two respondents noted that the agenda might need to deviate from those of listed companies and business trusts as REITs are inherently different from them and the same considerations may not apply. Another respondent suggested that the agenda should stretch beyond obtaining a general mandate for the issue of new units.

#### MAS' Response:

As a matter of good corporate governance, MAS will require that REIT managers present the REIT's audited profit and loss accounts to the unitholders at each AGM. These accounts should be accompanied by an auditor's report. The appointment of the auditor for the following year and the auditor's fees and expenses should also be decided at each AGM.

The AGM agenda for REITs is however not meant to be restricted to the two items above. REIT managers would be in the best position to determine what other issues should be discussed during the AGM. REIT managers can refer to the relevant requirements for listed companies and business trusts in the Companies Act and Business Trusts Act, respectively, for guidance. As the intention of mandating AGMs is to provide appropriate channels for unitholders to express their views on matters affecting the REIT, REIT managers are encouraged to adopt the principles in the Code of Corporate Governance 2005 on communication with unitholders.

## **Cost of AGMs**

### *Public Comments:*

One respondent noted that AGMs have been criticised for not being cost-effective as most major investors would have been consulted on the issues before the AGM. The same respondent however also raised the possibility that AGMs would bolster the faith of investors by increasing the transparency of REITs. Another respondent felt that as REITs are among the listed entities with the largest market capitalisation in Singapore, the costs should not be prohibitive.

### *MAS' Response:*

MAS views AGMs as an important channel for the REIT manager to communicate with all unitholders, without which retail investors may not have an opportunity to raise issues of concern. MAS agrees that the cost of AGMs should be weighed against their benefits. REIT managers should also ensure that the cost incurred for AGMs are reasonable.

**Appendix 1** – List of respondents

1. Asian Pacific Real Estate Association
2. Securities Investors Association (Singapore)
3. Allen & Gledhill LLP
4. WongPartnership LLP
5. CapitaCommercial Trust Management Limited
6. CapitaMall Trust Management Limited
7. CapitaRetail China Trust Management Limited
8. Ascott Residences Trust Management Limited
9. Michael Tan
10. Thomas Tan
11. Chai Ming Yao