

2023 Extraordinary General Meeting



# Proposed Entry into New Singapore Property Management Agreement

19 April 2023

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Urban Farm

CapitaLand

Integrated Commercial  
Trust

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Funan, Singapore



# Overview of the New SG PMA

Raffles City Singapore

CapitaLand  
Integrated Commercial  
Trust

# Overview of the New SG PMA

Key terms with no major changes

Key terms	New Terms <sup>(1)</sup>	Existing Terms	Remarks
<b>Service Term</b>	<ul style="list-style-type: none"> <li>Proposed single New SG PMA term of 10 years commencing from 1 June 2023<sup>(2)</sup></li> </ul>	<ul style="list-style-type: none"> <li>Terms of existing property management agreements range from 5 to 10 years<sup>(2)(3)</sup></li> </ul>	<ul style="list-style-type: none"> <li>A single New SG PMA for better efficiency and alignment within CICT's Singapore portfolio</li> <li>Enables consolidation of resources, to achieve manpower cost savings</li> </ul>
<b>Property and Lease Management Fees</b>	<p><u><b>For retail properties</b></u></p> <ul style="list-style-type: none"> <li>2.0% per annum of the property income of the property; and</li> <li>2.0% per annum of the net property income (before the property and lease management fees accounted for under this bullet point) of the property</li> </ul> <p><u><b>For office properties</b></u></p> <ul style="list-style-type: none"> <li>3.0% per annum of net property income of the property</li> </ul>	<p><u><b>For retail properties</b></u></p> <ul style="list-style-type: none"> <li>2.0% per annum of the gross revenue of the property; and</li> <li>2.0% per annum of the net property income of the property</li> </ul> <p><u><b>For office properties</b></u></p> <ul style="list-style-type: none"> <li>3.0% per annum of net property income of the property</li> </ul>	<ul style="list-style-type: none"> <li>No change under the New SG PMA, except for adopting same definition for alignment purpose</li> </ul>

Notes:

1) Unitholders should refer to paragraph 2 of the Circular for further details on the key terms of the New SG PMA.

2) There are 4 existing property management agreements in relation to the Singapore Properties that are in force and effect, with expiry dates on 31 May 2023 or 1 March 2024 (Please refer to paragraph 2.4 of the Circular for details). In approving the Resolution in relation to the entry into the New SG PMA, Unitholders are deemed to have approved the termination of the Relevant Existing Property Management Agreements, which have expiry dates on 1 March 2024.

3) Exclude extensions of these property management agreements.



# Overview of the New SG PMA

## Key terms with changes

Key terms	New Terms <sup>(1)</sup>	Existing Terms	Remarks
<b>Marketing Fees</b>	<p><u><b>For retail properties</b></u></p> <ul style="list-style-type: none"> <li>New tiered structure directly attributable to gross rents and length of committed leases</li> </ul> <p><u><b>For office properties</b></u></p> <ul style="list-style-type: none"> <li>Tiered structure remains</li> </ul>	<p><u><b>For retail properties</b></u></p> <ul style="list-style-type: none"> <li>0.5% of net property income, in lieu of marketing fees</li> </ul> <p><u><b>For office properties</b></u></p> <ul style="list-style-type: none"> <li>Tiered structure</li> </ul>	<ul style="list-style-type: none"> <li>To incentivise the Singapore Property Managers on a performance-based structure tied to deals done, including rent and lease term achieved</li> </ul>
<b>Reimbursable Staff Costs</b>	<ul style="list-style-type: none"> <li>Removal of Lease Marketing Staff Costs from reimbursable staff cost</li> <li>Reimbursable staff cost not to exceed the Reimbursement Cap</li> </ul>	<ul style="list-style-type: none"> <li>Reimbursement of staff costs in full for the agreed employment and remuneration costs of the personnel of the Singapore Property Managers</li> </ul>	<ul style="list-style-type: none"> <li>Removal of Lease Marketing Staff Costs from reimbursable staff costs as part of change to performance-based marketing fee structure</li> <li>Changes to Reimbursement Cap shall be subject to approval of the Independent Directors</li> </ul>
<b>Other key updates</b>	<ul style="list-style-type: none"> <li>New clauses relating to KPIs will be introduced into the New SG PMA</li> <li>ESG clauses requires the Singapore Property Managers to abide by and use all commercially viable efforts to further the ESG and sustainability policies</li> </ul>	<ul style="list-style-type: none"> <li>Nil</li> </ul>	<ul style="list-style-type: none"> <li>Introduced to align the performance of the Singapore Property Managers to the interests of CICT</li> </ul>

Note:

1) Unitholders should refer to paragraph 2 of the Circular for further details on the key terms of the New SG PMA.





# Reasons to vote in favour of the New SG PMA



# Reasons to vote in favour of the New SG PMA

Potential cost savings with improved performance-based fee structure

	Actual Fees in FY2021 and FY2022 (S\$ mil)	Illustrative Fees if the Revised Fees were applied in FY2021 and FY2022 (S\$ mil)	Incremental Savings/(Costs) (S\$ mil)
Property and lease management fees	78.7	78.7	-
Marketing fees	21.4	42.4 <sup>(1)</sup>	(21.0)
Reimbursable staff costs	122.3 <sup>(2)</sup>	92.4 <sup>(2)(3)</sup>	29.9
Total savings for FY2021 and FY2022			8.9
Average savings for each financial year			4.5

Notes:

- 1) The illustrative fee is calculated using the actual amount of leases committed in FY2021 and FY2022 and computed against the revised marketing fee structure.
- 2) As at the Latest Practicable Date, the reimbursable staff cost for FY2022 has not been finalised. As such, the FY2022 reimbursable staff cost is calculated by applying a 2.0% year-on-year increment, which is estimated based on factors such as the historical inflation rate and consumer price index, on the FY2021 reimbursable staff cost.
- 3) In arriving at the estimated revised fees, it was assumed that the Lease Marketing Staff Costs has been removed from the reimbursable staff costs payable to Singapore Property Managers.



# Reasons to vote in favour of the New SG PMA

Proven track record and experience of the Singapore Property Managers

## 1. Consistently high occupancies maintained

- Achieve healthy average occupancy rate of CICT’s Singapore portfolio at approximately 98.0% for retail properties and at approximately 97.0% for office properties over the past 10 years from 2013 to 2022, higher than industry average of 92.0% and 94.0% for retail and office properties respectively<sup>(1)</sup>

								Impact due to COVID-19 pandemic			
As at 31 Dec <sup>(2) (3)</sup>	2013	2014	2015	2016	2017	2018	2019	2020 <sup>(4)</sup>	2021 <sup>(4)</sup>	2022 <sup>(4)</sup>	10 Years Average
Retail	98.5%	98.8%	97.6%	98.5%	99.2%	99.2%	99.3%	98.0%	96.8%	97.7%	98.4%
Office	98.7%	96.8%	97.1%	97.1%	97.3%	99.4%	98.6%	95.1%	90.4%	96.2%	96.7%

## 2. Experienced operational teams with a strong familiarity and understanding of CICT’s business model

- An experienced team of management and staff who have been involved in day-to-day property management as well as asset enhancement for CICT’s Singapore portfolio since its initial public offering, the Singapore Property Managers are knowledgeable, familiar, and growing in expertise along with CICT’s properties and its business operating model

Notes:

1) Sourced from the Urban Redevelopment Authority of Singapore and CBRE Research.

2) The occupancy rates are based on the Singapore portfolio and respective stake of the properties (if not 100% owned).

3) For years 2013 to 2019, the occupancies are based on those recorded under CapitaLand Mall Trust and CapitaLand Commercial Trust. For years 2020 to 2021, the occupancies are based on those recorded under CICT.

4) For years 2020 to 2022, the lower occupancies are impacted by the COVID-19 pandemic situation in Singapore.



# Reasons to vote in favour of the New SG PMA

Singapore Property Managers: Proactive in repositioning of assets to meet changing real estate trends and needs

## 2021: Lot One Shopper's Mall



Post-AEI Library



Post-AEI Cinema

Newly refurbished cinema and revamped public library

## 2022: Raffles City Singapore



Refreshed tenant mix at Lvl 1



Enhanced shopper experience

Rejuvenated retail floors and refreshed tenant mix with brands

## 2022: Six Battery Road



Refreshed retail podium

Conversion of ex-banking hall space to a retail podium featuring restaurants and connectivity to Singapore River

## 2022: 21 Collyer Quay



WeWork's new workspace

Upgraded green rating to Green Mark Platinum and secured WeWork as master anchor tenant to achieve 100% occupancy



# Reasons to vote in favour of New SG PMA

Singapore Property Managers: Commendable leasing outcomes for redevelopment projects

## 2019: Funan



Front view of Funan



Atrium

Achieved strong occupancy at 99.0% by December 2019, 6 months after TOP in June 2019

## 2021: CapitaSpring



Front view of CapitaSpring



Sky Garden, L51

Achieved strong occupancy at 99.5% by May 2022, 6 months after TOP in end 2021



# Advice of the IFA

## Recommendation of the Independent Directors and Audit Risk Committee

# Advice of the Independent Financial Advisor (“IFA”)

- Having considered the factors and assumptions set out in the IFA Letter, and subject to the qualifications set out therein, and taking into account the prevailing conditions as at the date of the IFA Letter, the IFA is of the opinion that the New SG PMA is **on normal commercial terms and is not prejudicial to the interests of CICT and its minority Unitholders**
- Accordingly, the IFA has advised the Independent Directors and the Audit Committee to recommend that Unitholders vote at the EGM **in favour** of the Resolution to approve the proposed entry into the New SG PMA



# Recommendation of the Independent Directors and Audit Risk Committee

As stated in paragraph 6 of the Circular:

- Having considered the relevant factors, including the terms of the New SG PMA (as set out in paragraph 2 of the Circular), the rationale and key benefits of the New SG PMA (as set out in paragraph 3 of the Circular) and the IFA Letter (as set out in Appendix B of the Circular), the Independent Directors and the Audit Committee believe that the proposed entry into the New SG PMA is based **on normal commercial terms and would not be prejudicial to the interests of CICT and its minority Unitholders**
- Accordingly, the Independent Directors and the Audit Committee recommend that Unitholders vote at the EGM in favour of the Resolution to approve the proposed entry into the New SG PMA





# Approval of Unitholders



# Approval of Unitholders

## Interested Person Transaction

- The proposed entry into the New SG PMA is an Interested Person Transaction<sup>(1)</sup>
- The aggregate fees and reimbursements under the New SG PMA payable by the Trustee or the relevant Special Purpose Vehicle (as applicable) to the Singapore Property Managers, each an “associate” of CLI, over the 10-year term of the New SG PMA, amount to an estimated aggregate sum of approximately S\$1,180.2<sup>(2)</sup> million, representing approximately 8.39% of the latest audited NTA of the Group of S\$14,073.44 million as at 31 December 2022

### Notes:

- 1) The New SG PMA will be entered into between the Manager, the Trustee, the Singapore Property Managers. As at the Latest Practicable Date, each Singapore Property Manager is a wholly owned subsidiary of CLI and is considered an “associate” of CLI, which is in turn regarded as a “controlling unitholder” of CICT and a “controlling shareholder” of the Manager for the purposes of Chapter 9 of the Listing Manual. Accordingly, each Singapore Property Manager is (for the purposes of the Listing Manual) an “interested person” of CICT.
- 2) The fee of S\$1,180.2 million is an estimated value and the actual amount payable under the New SG PMA might be higher or lower depending on the portfolio size of CICT over the duration of the New SG PMA. For the avoidance of doubt, Unitholders’ approval of the proposed entry into the New SG PMA at the EGM will still be considered valid even if the actual value of fees payable to the Singapore Property Managers is higher than the estimated value of S\$1,180.2 million.

# Approval of Unitholders

## Ordinary Resolution

- To seek Unitholders' approval by way of an **Ordinary Resolution**<sup>(1)</sup> for the proposed entry into the New SG PMA, as an interested person transaction

Note:

- 1) "Ordinary Resolution" means a resolution proposed and passed as such by a majority being greater than 50 per cent of the total number of votes cast for and against such resolution at a meeting of Unitholders convened in accordance with the provisions of the Trust Deed.



# The End

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