

CORPORATE GOVERNANCE REPORT

HPH Trust is a business trust constituted under the Business Trusts Act, Chapter 31A of Singapore (“BTA”). Hutchison Port Holdings Management Pte. Limited (“Trustee-Manager”) as the trustee-manager of HPH Trust is responsible for managing the business of HPH Trust as defined in the deed of trust dated 25 February 2011 and as amended and supplemented by the first supplemental deed dated 28 April 2014 and the second supplemental deed dated 8 June 2020 (collectively, “Trust Deed”).

The Trustee-Manager strives to attain and maintain high standards of corporate governance best suited to the needs and interests of HPH Trust group of companies (“Group”) as it believes that an effective corporate governance framework is fundamental to promoting and safeguarding interests of unitholders and other stakeholders and enhancing unitholder value. Accordingly, the Trustee-Manager has adopted and applied corporate governance principles and practices that emphasise a quality Board of Directors (“Board”), effective risk management and internal control systems, stringent disclosure practices, transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Board sets out in this report the corporate governance principles and practices put in place for the financial year ended 31 December 2020 with reference to the BTA, the Business Trusts Regulations 2005 (“BTR”), the Code of Corporate Governance 2018 (“Code”) and the Listing Manual of Singapore Exchange Securities Trading Limited (“SGX-ST Listing Manual”).

HPH Trust has complied throughout the financial year ended 31 December 2020 with all the principles and provisions of the Code, where applicable. The reasons for deviations from the provisions of the Code are explained in this report.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1

Principal duties of the Board

The Board, which is accountable to unitholders for the long-term performance of HPH Trust, is responsible for directing and guiding the strategic objectives of HPH Trust and overseeing and monitoring managerial performance. Directors are fiduciaries and are charged with the task of promoting the long term success of HPH Trust and making decisions in the best interests of HPH Trust with due regard to sustainability considerations. The Board has established a framework for the management of HPH Trust, putting in place all relevant risk management and internal control systems review assessment and reporting processes.

The Board, led by the Chairman (Non-executive), Mr. Fok Kin Ning, Canning, determines and monitors Group-wide strategies and policies, annual budgets and business plans, evaluates the performance of HPH Trust, and supervises the management of HPH Trust (“Management”). Management is responsible for the day-to-day operations of the Group under the leadership of Mr. Lam Hing Man, Patrick, the Chief Executive Officer (“CEO”).

HPH Trust has in place, among others, an Internal Control Manual which includes a code of conduct that sets the tone for the Group in respect of ethics, values, the desired organisational culture and the proper accountability with the Group, the Finance Manual and the Legal and Regulatory Compliance Manual.

Procedures are instituted to deal with conflicts of interest issues. Except for those circumstances permitted by the constitution of the Trustee-Manager, the Trust Deed of HPH Trust and the SGX-ST Listing Manual, a Director would abstain from voting on resolutions approving any contract, transaction, arrangement in which he or she or any of his or her close associates is materially interested in and such Director is not counted for quorum determination purposes.

The Board has established an Audit Committee (“AC”) with clear terms of reference to assist it in discharging its responsibilities. In addition, the Board has also established a Remuneration Committee (“RC”) in February 2021 with clear terms of reference. Details and the terms of reference for the AC and RC are described in subsequent sections of this report. Other board committees are established by the Board as and when warranted to take charge of specific tasks.

The Board meets at least once every quarter with all Board and Board Committee meetings and the Annual General Meeting dates scheduled well in advance, in consultation with the Board. Among other things, the Board approves the half-yearly and full year financial results for release to Singapore Exchange Securities Trading Limited (“SGX-ST”) and material transactions requiring announcements under the SGX-ST Listing Manual and notes perceptions of the key stakeholder groups on HPH Trust. Whenever warranted, additional meetings are held. Board meetings are also supplemented by resolutions circulated to Directors for decisions as and when necessary.

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The Trustee-Manager has adopted and documented internal guidelines setting forth matters reserved for Board approval ("Reserved Matters"). The Reserved Matters include:

- (a) matters in relation to the overall strategy and management of the Group;
- (b) material changes to the Group's capital or corporate structure;
- (c) matters involving financial reporting and distributions;
- (d) major investments, major capital projects, material transactions and transactions not in the ordinary course of business;
- (e) transactions between the Trustee-Manager for and on behalf of HPH Trust and any of its related parties; and
- (f) matters which require Board approval as specified under the SGX-ST Listing Manual, BTA or other relevant laws and regulations.

The Board held four Board meetings in 2020 with an average of approximately 97% Director attendance. The Company Secretary and the Deputy Company Secretary attended all board meetings held in 2020.

NAME OF DIRECTOR	ATTENDED / ELIGIBLE TO ATTEND
<u>Chairman and Non-executive Director</u>	
Mr. Fok Kin Ning, Canning	3/4
<u>Executive Director</u>	
Mr. Ip Sing Chi	4/4
<u>Non-executive Directors</u>	
Ms. Edith Shih	4/4
Ms. Tsim Sin Ling, Ruth	4/4
<u>Independent Non-executive Directors</u>	
Mr. Chan Tze Leung, Robert	4/4
Dr. Fong Chi Wai, Alex ⁽¹⁾	3/3
Mr. Graeme Allan Jack	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4
Mr. Kevin Anthony Westley ⁽²⁾	1/1
Mr. Wong Kwai Lam	4/4

(1) Appointed with effect from 11 February 2020

(2) Resigned with effect from 11 February 2020

The constitution of the Trustee-Manager allows directors to participate in the Board and Board Committee meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group.

The Board does not set the maximum number of board representations which a Director may hold but confirmation is received from each Director that he or she has provided sufficient time and attention to the affairs of HPH Trust. In addition, Directors disclose to the Trustee-Manager in a timely manner their other principal commitments, such as directorships in other public listed companies and major appointments as well as update the Trustee-Manager on any subsequent changes. The Board, on the basis of the foregoing, is satisfied that the Directors have given sufficient time and attention to the affairs of the Trustee-Manager and HPH Trust.

To enable Directors to fully discharge their duties and obligations, each Director has been furnished with the Legal and Regulatory Compliance Manual, the Internal Control Manual and Finance Manual setting forth comprehensive internal guidelines on matters relating to internal control and finance.

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Access to information

Management recognises the importance of complete, adequate and timely information flow to the Board. With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances.

At every AC meeting, the Chief Financial Officer (“CFO”), Ms. Lee Tung Wan, Diana briefs the AC members on developments in accounting and governance standards.

At every quarterly Board meeting, the CEO and/or CFO provide business updates and highlights of HPH Trust’s quarterly accounts. The scope of such update includes general economic conditions and how it affects HPH Trust’s business, overview of industry trends and developments, and developing trends.

Between scheduled meetings of the Board, Management provides to Directors, on a regular basis, financial performance reports of key operating entities of the Group and other relevant information with respect to the performance, business activities and development of the Group. Throughout the year, in addition to the Board meetings, Directors participate in the deliberation and approval of routine and operational matters of the Trustee-Manager, on behalf of HPH Trust, by way of written resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information from the CEO, CFO or other executives as and when required. Details of material or notable transactions of subsidiaries and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held.

In addition, Directors have unrestricted access to Management, the Company Secretary, Deputy Company Secretary and independent professional advisers at the expense of HPH Trust at all times whenever deemed necessary by Directors. They are at liberty to propose appropriate matters for inclusion in Board agendas.

Directors are provided with updates and briefings from time to time by Management, professional advisers and auditors on relevant practices, new laws, rules and regulations, directors’ duties and responsibilities, corporate governance, changes in accounting standards and risk management issues applicable or relevant to the performance of their duties and responsibilities as Directors.

Directors’ induction and training

Upon appointment to the Board, Directors receive a formal letter of appointment setting out directors’ duties and a comprehensive and tailored induction to the Group’s businesses, strategic direction and governance practice by senior executives. A pack of orientation materials which include detailed information of the Trustee-Manager and the Group, duties as a director and/or AC member and/or RC member (as the case may be) and how to discharge those duties, as well as internal governance policy of the Group is also provided to the Directors. Every new director is taken through such orientation materials at an induction session, including attending site visits.

During the year ended 31 December 2020, Dr. Fong Chi Wai, Alex was appointed as an independent non-executive director to succeed Mr. Kevin Anthony Westley. Dr. Fong is currently an independent non-executive director of TOM Group Limited, HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments), HK Electric Investments Limited and Glory Mark Hi-Tech (Holdings) Limited, the securities of which are listed on The Stock Exchange of Hong Kong Limited (“HKEx”). The Board is of the view¹ that given (i) both Singapore and Hong Kong are common law jurisdictions; (ii) the standards of corporate governance required by Singapore Exchange and HKEx are comparable; and (iii) Dr. Fong has relevant directorship experience in companies listed in HKEx, the mandatory training prescribed by Rule 210(5)(a) of the SGX-ST’s Listing Manual is not required.

The Trustee-Manager arranges and provides continuous professional development (“CPD”) training such as seminars, webcasts and relevant reading materials to Directors to help them keep abreast of the current trends and issues facing the Group, including the latest changes in the commercial (including industry-specific and innovative changes), legal and regulatory environment in which the Group conducts its businesses and to refresh their knowledge and skills on the roles, functions and duties of a listed entity director. In addition, attendance at external forums or briefing sessions (including delivery of speeches) on relevant topics also counts towards CPD training.

¹ Pursuant to Practice Note 4.2 of the SGX-ST Listing Manual, the Trustee-Manager is not required to have a nominating committee. Hence, for the purpose of Rule 210(5)(a) of the SGX-ST Listing Manual, the Board, undertaking the function of a nominating committee, has formed this view.

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The Directors are required to provide the Trustee-Manager with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in 2020 is summarised as follows:

NAME OF DIRECTOR	AREAS			
	LEGAL AND REGULATORY	CORPORATE GOVERNANCE / SUSTAINABILITY PRACTICES	FINANCIAL REPORTING / RISK MANAGEMENT	GROUP'S BUSINESSES / DIRECTORS' DUTIES
<u>Chairman and Non-executive Director</u>				
Mr. Fok Kin Ning, Canning	✓	✓	✓	✓
<u>Executive Director</u>				
Mr. Ip Sing Chi	✓	✓	✓	✓
<u>Non-executive Directors</u>				
Ms. Edith Shih	✓	✓	✓	✓
Ms. Tsim Sin Ling, Ruth	✓	✓	✓	✓
<u>Independent Non-executive Directors</u>				
Mr. Chan Tze Leung, Robert	✓	✓	✓	✓
Dr. Fong Chi Wai, Alex ⁽¹⁾	✓	✓	✓	✓
Mr. Graeme Allan Jack	✓	✓	✓	✓
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	✓	✓	✓	✓
Mr. Kevin Anthony Westley ⁽²⁾	N.A.	N.A.	N.A.	N.A.
Mr. Wong Kwai Lam	✓	✓	✓	✓

(1) Appointed with effect from 11 February 2020

(2) Resigned with effect from 11 February 2020

The appointment and removal of the Company Secretary is subject to Board approval.

The Company Secretary, Ms. Kim Yi Hwa, and the Deputy Company Secretary, Ms. Edith Shih, are accountable to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors of comprehensive Board meeting agendas and papers. Minutes of all Board and AC meetings are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or the AC, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of the Board and the AC meetings are sent to Directors and AC members as appropriate for comments, approval and records. Board records are available for inspection by any Director upon request.

Board Composition and Guidance

Principle 2

As at 31 December 2020, the Board comprised nine Directors, of whom five were independent and non-executive.

Mr. Kevin Anthony Westley resigned as Independent Non-executive Director and Dr. Fong Chi Wai, Alex was appointed as Independent Non-executive Director with effect from 11 February 2020. Having considered the qualification, expertise and experience in the transportation and logistics industry of Dr. Fong, including his past positions as the Secretary to the Hong Kong Port and Maritime Board and the Hong Kong Logistics Development Council, the Board is of the view that Dr. Fong is an appropriate director for the Trustee-Manager. Dr. Fong has prior experience as a director of listed companies (for details, please refer to page 28 of the Annual Report). He is therefore not required to undergo further training under Rule 210(5)(a) of the SGX-ST Listing Manual.

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Board appointment has been, and will continue to be, made based on merit and the contribution such appointment can bring to the Board to complement and expand the competencies, experience and perspectives of the Board as a whole, taking into account the following principles:

- (a) The majority of Board members should be non-executive and independent Directors;
- (b) The chairman of the Board should be a non-executive Director;
- (c) The Board should comprise Directors with a wide range of commercial and management experience, which provides an appropriate balance of diversity of skills, experience, gender and industry knowledge; and
- (d) At least a majority of the Directors should be independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

The Board considered its structure, size and composition (including the skill set, knowledge and experience) as appropriate for the current scope and nature of the Group's operations, requirement of the business and facilitates effective decision making. Throughout the year, the number of Independent Non-executive Directors on the Board fulfilled the minimum requirement of the BTA. The Directors come from diverse backgrounds with various expertise in the container terminal industry and finance, business, legal and management fields. They are able to apply their expertise and experience to further the interests of HPH Trust. The Board has the appropriate balance of Independent Directors and the five Independent Directors are particularly aware of their responsibility to constantly place the interests of unitholders as a whole foremost in the consideration of all relevant matters. The Board also takes into account gender diversity in relation to the composition of the Board. Out of the nine Directors, three are female.

The Board has adopted a Board Diversity Policy which recognises the benefits of a Board that possesses a balance of skill set, experience, expertise and diversity of perspectives appropriate for the strategies of HPH Trust. The Trustee-Manager believes that board diversity enhances decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operation and enhancing shareholder value.

The Board Diversity Policy is available on the HPH Trust's corporate website. The Board reviews and monitors from time to time the implementation of the policy to ensure its continued effectiveness.

Mrs. Sng Sow-Mei (alias Poon Sow Mei) is appointed as the Lead Independent Director. The Lead Independent Director provides feedback to the Chairman as appropriate should there be any issue coming to her attention from the periodic meetings among the Independent Non-executive Directors without the presence of the other Directors or Management.

Directors' Independence

The Board has assessed the independence of all the Independent Non-executive Directors having regard to the independence criteria as set out in the SGX-ST Listing Manual, the BTR and the Code. Declarations of independence were provided by the Directors.

The Board considers all of them to be independent in accordance with Rule 210(5) of the SGX-ST Listing Manual because none of them (i) have been employed by the Trustee-Manager or any of its related corporations for the current financial year or any of the past three financial years of the Trustee-Manager, (ii) have an immediate family member who is or has been in any of the past three financial years, employed by the Trustee-Manager or any of its related corporations and whose remuneration is determined by the Board.

A Director is considered to be independent in accordance with the provisions of the BTR if he or she is independent from management and business relationships with the Trustee-Manager and from every substantial shareholder of the Trustee-Manager.

Construed within the context of the BTR, Mr. Chan Tze Leung, Robert, Mr. Graeme Allan Jack, Mrs. Sng Sow-Mei (alias Poon Sow Mei), Dr. Fong Chi Wai, Alex and Mr. Wong Kwai Lam are considered to be independent from management and business relationships with the Trustee-Manager, but not independent from the substantial shareholder of the Trustee-Manager. With respect to Mr. Chan, Mr. Jack, Mrs. Sng, Dr. Fong and Mr. Wong, the Board has in its review taken the following into consideration:

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In the case of Mrs. Sng, notwithstanding that she is currently an independent non-executive director and chairman of the audit committee of CK Infrastructure Holdings Limited (“CKI”), the shares of which are listed in Hong Kong, the Directors noted that these roles should not interfere with her ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

- (i) Mrs. Sng does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of CKI;
- (ii) she is not involved in the day-to-day management and operation of CKI;
- (iii) she does not own any shares of CKI;
- (iv) she exercises independent judgment as an independent non-executive director of CKI, in particular on interested person transactions and on internal audit control and management; and
- (v) CKI is in different businesses from HPH Trust.

As such, given her extensive experience and qualifications, she is able to contribute as an Independent Director on the Board.

In the case of Mr. Jack, notwithstanding that he is currently an independent non-executive director, chairman of the audit committee and a member of the remuneration committee and nomination committee of Hutchison China MediTech Limited (“China Med”), the shares of which are traded on the AIM, a market regulated by the London Stock Exchange, and in the form of American Depositary Shares on the NASDAQ Stock Market, the Directors noted that these roles should not interfere with his ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

- (i) Mr. Jack does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of China Med;
- (ii) he is not involved in the day-to-day management and operation of China Med;
- (iii) he does not own any shares in China Med and his wife is only a minority shareholder of China Med holding 3,000 American Depositary Shares, representing about 0.002% issued shares of China Med;
- (iv) he exercises independent judgment as an independent non-executive director of China Med, in particular on interested person transactions and on internal audit control and management; and
- (v) China Med is in different businesses from HPH Trust.

As such, given his extensive experience and qualifications, he is able to contribute as an Independent Director on the Board.

In the case of Dr. Fong, notwithstanding that he is currently an independent non-executive director, chairman of the remuneration committee and the audit committee of TOM Group Limited; an independent non-executive director, a member of the remuneration committee and sustainability committee of HK Electric Investments Limited; an independent non-executive director of HK Electric Investments Manager Limited (as trustee-manager of HK Electric Investments); a director of The Hongkong Electric Company, Limited (collectively, the “Companies”), the Directors noted that these roles should not interfere with his ability to exercise independent judgment in the interests of the unitholders of HPH Trust for the following reasons:

- (i) Dr. Fong does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of the Companies;
- (ii) he is not involved in the day-to-day management and operation of the Companies;
- (iii) he does not own any shares in the Companies;
- (iv) he exercises independent judgment as an independent non-executive director/a director of the Companies, in particular on interested person transactions and on internal audit control and management; and
- (v) the Companies are in different businesses from HPH Trust.

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As such, given his extensive experience and qualifications, he is able to contribute as an Independent Director on the Board.

In the case of Mr. Chan, notwithstanding that he is currently an independent non-executive director, a member of the audit committee and the remuneration committee of TOM Group Limited (“TOM”), the shares of which are listed in Hong Kong, the Directors noted that these roles should not interfere with his ability to exercise independent judgement in the interest of the unitholders of HPH Trust for the following reasons:

- (i) Mr. Chan does not have any relationship with the chief executive officer, members of the management team, board of directors or substantial shareholder(s) of TOM;
- (ii) he is not involved in the day-to-day management and operation of TOM;
- (iii) he does not own any shares in TOM;
- (iv) he exercises independent judgement as an independent non-executive director of TOM, in particular on interested person transactions and on internal audit control and management; and
- (v) TOM is in different businesses from HPH Trust.

As such, given his extensive experience and qualifications, he is able to contribute as an Independent Director on the Board.

In the case of Mr. Wong, notwithstanding that he is currently an independent non-executive director, a member of the audit committee and the remuneration committee of CK Hutchison Holdings Limited (“CKHH”), the shares of which are listed in Hong Kong, the Directors noted that these roles should not interfere with his ability to exercise independent judgement in the interest of the unitholders of HPH Trust for the following reasons:

- (i) Mr. Wong does not have any relationship with the managing director(s), members of the management team, board of directors or substantial shareholder(s) of CKHH;
- (ii) he is not involved in the day-to-day management and operation of CKHH;
- (iii) he does not own any shares in CKHH;
- (iv) he exercises independent judgement as an independent non-executive director of CKHH, in particular on interested person transactions and on internal audit control and management; and
- (v) Hutchison Port Holdings Limited (“HPH”), a member of CKHH group, has entered into a Non-Compete Agreement with the Trustee-Manager pursuant to which there is a mutual non-compete undertaking between the two entities such that HPH undertakes not to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau and HPH Trust undertakes not to invest in, develop, operate and manage deep-water container ports in any part of the world outside of the Guangdong Province, Hong Kong and Macau, save that HPH may pursue any investment opportunity (including undertaking greenfield port development) declined by HPH Trust.

As such, given his extensive experience and qualifications, he is able to contribute as an Independent Director on the Board.

Having carried out the review, the Board is satisfied that the relationships described above will not interfere with the independent judgment and ability to act with regard to the interests of all the unitholders of HPH Trust as a whole of Mrs. Sng, Mr. Jack, Dr. Fong, Mr. Chan or Mr. Wong. Accordingly, the Board has, pursuant to Regulation 12(6) of the BTR, determined that Mrs. Sng Sow-Mei (alias Poon Sow Mei), Mr. Graeme Allan Jack, Dr. Fong Chi Wai, Alex, Mr. Chan Tze Leung, Robert and Mr. Wong Kwai Lam are independent.

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None of the above independent non-executive directors participates nor will they participate in any discussion of the Board in relation to any transaction with a company of whom he/ she is a director thereof or any matters that might give rise to a conflict of interests with such company and they shall abstain from voting on any such proposals at any meeting of the Board.

Under the letter of appointment, the Directors are required to report changes of circumstances at any time which may affect their independence.

The Board is satisfied that the Independent Directors are considered to be independent.

Chairman and CEO

Principle 3

The role of the Chairman is separate from that of the CEO and they are not immediate family members. The Chairman is a non-executive director and is not part of the management team. Such division of responsibilities reinforces the independence and increases accountability of the Board.

The Chairman, Mr. Fok Kin Ning, Canning is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group. He is also responsible for ensuring that the Board meetings are planned and conducted effectively, including setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors, the Company Secretary and the Deputy Company Secretary. With the support of the Executive Director, the Company Secretary, the Deputy Company Secretary and Management, the Chairman seeks to ensure that all Directors are properly briefed on issues discussed at Board meetings and provided with adequate and accurate information in a timely manner.

The Chairman promotes a culture of openness and actively encourages Directors to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's effective functioning. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication and ongoing engagement with unitholders and other stakeholders, as outlined later in this report.

Mrs. Sng, the Lead Independent Director is appointed to provide leadership in situations where the Chairman has a conflict of interest. She is accessible to Unitholders in cases where they have concerns for which contact through normal channels of the Chairman, the CEO or the CFO has failed to resolve the issue or is inappropriate. Her contact details are available on HPH Trust's corporate website (hphtrust.com/corporate_governance.html).

The CEO is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the Group's businesses, the CEO attends to developing strategic operating plans that reflect the long-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group.

Working with the CFO, and the executive management team of each core business division, the CEO presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the CFO, the CEO ensures that the funding requirements of the businesses are met and closely monitors the operating and financial performance of the businesses against plans and budgets. The CEO maintains an ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business developments and issues. In addition, he is also responsible for building and maintaining an effective executive team to support him in his role.

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Board Membership

Principle 4

As at 31 December 2020, the Board comprised nine Directors, including the Chairman, one Executive Director, two Non-executive Directors and five Independent Non-executive Directors. Biographical details of the Directors are set out on pages 26 to 30 of the Annual Report and on HPH Trust's corporate website.

Pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, the corporate governance provision stipulated in Rule 210(5)(e) of the SGX-ST Listing Manual, which relates to the establishment of one or more committees to perform the function of, among others, a nominating committee, does not apply to HPH Trust.

No Nominating Committee has been established as the Trustee-Manager and not HPH Trust appoints all the Directors. The Trustee-Manager has considered the merits of establishing a nominating committee but is of the view that it is in the best interests of HPH Trust and the Trustee-Manager that the Board collectively reviews, determines and approves the structure, size, diversity profile and skill set of the Board as well as the appointment of any new Director, as and when appropriate. The Board is tasked with ensuring that it has a balanced composition of skills and experience appropriate for the requirements of the businesses of the Group and that appropriate individuals with relevant expertise and leadership qualities are appointed to the Board to complement the capabilities of existing Directors. In addition, the Board as a whole is also responsible for reviewing the succession plan for Directors, including the Chairman of the Board and the CEO. To this end, the Board is mindful of having an appropriately structured recruitment, selection and training programme at appropriate levels so as to identify and prepare suitable talents for Board positions. Further details of HPH Trust's Board Diversity Policy are set out in the section "Board Composition and Guidance" above.

From time to time, new Directors may be identified by the Board for appointment, if necessary, to complement and expand the skill set, experience and expertise of the Board as a whole, taking into account gender, age, professional experience and qualifications, cultural, educational background, the Board Diversity Policy, and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board.

If the Board determines that an additional or replacement Director is required, the Trustee-Manager will deploy multiple channels for identifying suitable director candidates, including referral from Directors, unitholders, management, advisors of the Trustee-Manager and external executive search firms. Dr. Fong Chi Wai, Alex was appointed to succeed Mr. Kevin Anthony Westley as Independent Non-executive Director of the Trustee-Manager with effect from 11 February 2020.

No alternate director is appointed to the Board.

Board Performance

Principle 5

Pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, provision 5.1 of the Code, which relates to recommendations by a nominating committee, does not apply to HPH Trust.

Evaluation of the performance of the Board as a whole and the AC together with the Directors was conducted by evaluation questionnaires. The findings of the questionnaires were evaluated and discussed by the Directors. The objective of such evaluation is to ensure that the Board, the AC and the Directors continued to act effectively in fulfilling the duties and responsibilities expected of them. The performance criteria included amongst other criteria, the composition, expertise, leadership and processes of the Board and its committee. The contribution and performance of Chairman and individual directors are taken into account in their re-appointment. The Directors' attendance, participation in and out of meetings, his or her special skills and contributions are taken into consideration. The Trustee-Manager believes that the effectiveness of the Directors' individual performance is best assessed by a qualitative assessment of a Director's contribution instead of focusing on the time committed to the Group. The Trustee-Manager considers that the existing practice is effective.

The Board has reviewed and is satisfied that it has met its performance objectives and each Director has contributed positively to the overall effectiveness of the Board.

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REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6

Although pursuant to paragraph 3.2 of Practice Note 4.2 of the SGX-ST Listing Manual, provision 6.1 of the Code which relates to the establishment of a remuneration committee does not apply to HPH Trust, a Remuneration Committee is set up in February 2021 to oversee the design and implementation of a formal and transparent procedure for developing policies on remuneration for all Directors and key management personnel. It reviews the remuneration policy from time to time and has the power to determine the framework for the remuneration and specific remuneration packages of individual Directors and key management personnel including the CEO. No Director will be involved in any decision relating to his or her own remuneration. The Remuneration Committee, where necessary, has access to independent professional advice on remuneration matters.

The Remuneration Committee comprises three members. The Committee is chaired by Mr. Chan Tze Leung, Robert, an Independent Non-executive Director, with Mr. Fok Kin Ning, Canning, a Non-executive Director, and Mrs. Sng Sow-Mei (alias Poon Sow Mei), an Independent Non-executive Director, as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence under the Code.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objectives of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the business operations.

Level and Mix of Remuneration

Principle 7

The remuneration of key management personnel is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and prevailing market conditions. The level and structure of remuneration of key management personnel also have regard to the long-term interests and risk policies of the Group and comprise both fixed and variable components for the purpose of achieving sustained performance and value creation of the Group, and to achieve its strategic objectives. The key management personnel participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance in order to promote the long-term success of the Group.

The remuneration of the Board is determined by the Trustee-Manager with reference to the contribution, taking into account effort, time spent and responsibilities as well as remuneration benchmarks from other listed business trusts. The Directors are remunerated directly by the Trustee-Manager, not by HPH Trust.

The remuneration of the Trustee-Manager which is paid out of HPH Trust is provided for in the Trust Deed, fees paid to the Trustee-Manager for the financial year ended 31 December 2020 are set out on page 140 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 8

Notwithstanding that the Directors are remunerated directly by the Trustee-Manager, and not the Trust, for the benefit of the unitholders, the table below sets out the remuneration of individual directors of the Trustee-Manager for the financial year ended 31 December 2020:

Name of directors	Directors' fees (USD)
FOK Kin Ning, Canning ⁽ⁱ⁾	60,000.00
Edith SHIH ⁽ⁱ⁾	60,000.00
IP Sing Chi ⁽ⁱⁱ⁾	60,000.00
TSIM Sin Ling, Ruth ⁽ⁱ⁾	60,000.00
CHAN Tze Leung Robert ^{(i) & (iii)}	80,000.00
FONG Chi Wai, Alex ^{(i) & (v)}	53,278.69
Graeme Allan JACK ^{(i) & (iv)}	90,000.00
SNG Sow-Mei ^{(i) & (iii)}	80,000.00
WONG Kwai Lam ⁽ⁱ⁾	60,000.00
Kevin Anthony WESTLEY ^{(i) & (vi)}	6,721.31
Total:	USD 610,000.00

Note:

- (i) Non-executive director
- (ii) Executive director
- (iii) Member of Audit Committee
- (iv) Chairman of Audit Committee
- (v) appointed with effect from 11 February 2020
- (vi) resigned with effect from 11 February 2020

The table below disclosed (a) the remuneration of the CEO and (b) in bands of S\$250,000, the remuneration of the top five key management personnel (other than the CEO) for the financial year ended 31 December 2020:

Key management personnel	Salary (%)	Variable (%)	Benefits (%)	Total (%)
S\$1,000,001 to S\$1,250,000				
Mr. Lam Hing Man, Patrick				
CEO Managing Director, YANTIAN	44%	55%	1%	100% ^{1 & 2}
S\$750,001 to S\$1,000,000				
Ms. Lee Tung Wan, Diana				
CFO and Investor Relations Officer Finance and Legal Director and Company Secretary, YANTIAN	55%	40%	5%	100% ²
Mr. Fung Kam Hung, Leonard				
Managing Director, HIT	58%	37%	5%	100% ²
S\$500,001 to S\$750,000				
Mr. Shum Kai Shing, Lawrence				
Managing Director, COSCO-HIT	60%	34%	6%	100% ²
Mr. Tang Hin Kee, Edward				
Operations Director General Manager - Operations, YANTIAN	63%	35%	2%	100% ²
Dr. Su Yu Nin, Eric				
Engineering Director General Manager - Engineering, YANTIAN	60%	35%	5%	100% ²

CORPORATE GOVERNANCE REPORT

Notes:

- 1 The total remuneration paid to the CEO was S\$1,178,000, most of which was paid by YANTIAN to Mr. Lam Hing Man, Patrick in relation to his role as Managing Director of YANTIAN and the remainder was paid by the Trustee-Manager (out of its own account).
- 2 Most of the aggregate compensation of the relevant key management personnel was paid by the relevant operating subsidiaries of the Group (i.e. YANTIAN to Mr. Lam Hing Man, Patrick in relation to his role as Managing Director of YANTIAN; Ms. Lee Tung Wan, Diana in relation to her role as Finance and Legal Director and Company Secretary of YANTIAN; Mr. Tang Hin Kee, Edward in relation to his role as General Manager – Operations of YANTIAN; Dr. Su Yu Nin, Eric in relation to his role as General Manager – Engineering of YANTIAN; HIT to Mr. Fung Kam Hung, Leonard in relation to his role as Managing Director of HIT and COSCO-HIT to Mr. Shum Kai Shing, Lawrence in relation to his role as Managing Director of COSCO-HIT), and the remainder of the aggregate compensation of each of the relevant key management personnel was paid by the Trustee-Manager (out of its own account). In 2020, the total remuneration paid to the above key executives (excluding the CEO) was S\$3,410,000.
- 3 Remuneration of key management personnel are paid in Hong Kong dollar (“HK\$”) while the table above reflects the remuneration translated in Singapore dollar (“S\$”) based on the 2020 average HK\$/S\$ exchange rate. Therefore, the remuneration set out in the table above are subject to currency exchange rates fluctuations.

The remuneration package of key management personnel comprised base salaries, variable bonus, long-term incentive award and benefits. Base salaries were determined based on the responsibilities of the job function and the market pay level of similar positions. The variable bonus and long-term incentive award were determined based on the Group’s performance, the individual’s overall work performance and achievement of the agreed performance targets. Long-term incentive awards are vested into cash if certain benchmarks were met over the vesting period of 3 years. Benefits mainly refer to the provisions of retirement and medical benefits which are in line with general market practice.

There is no employee of the Trustee-Manager and the Group who is a substantial shareholder of the Trustee-Manager or a substantial unitholder of the Trust, an immediate family member of the Directors, the CEO or a substantial shareholder of the Trustee-Manager or a substantial unitholder of the Trust, and whose remuneration exceeded S\$100,000 during the financial year ended 31 December 2020.

The Group currently does not have any compensation plan in the form of unit option scheme or arrangement to enable the key management personnel to acquire units in HPH Trust. There are no existing or proposed service agreements with the CEO and the key management personnel of HPH Trust that provide for benefits upon termination of appointment, retirement or post-employment.

The remuneration of the Trustee-Manager is provided for in the Trust Deed. The Trustee-Manager is entitled under the Trust Deed to management fees, acquisition fee, divestment fee and development fee based on pre-agreed mechanisms set out in the Trust Deed. Fees paid to the Trustee-Manager for the financial year ended 31 December 2020 are set out on page 140 of the Annual Report.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9

The Board has overall responsibility for the Group’s systems of risk management and internal controls and, to safeguard the interests of the Group and the unitholders.

In meeting its responsibilities, the Board seeks to inculcate risk awareness across the Group’s business operations and has put in place policies and procedures, including parameters of delegated authority, which provide a framework for the identification, reporting and management of risks. The Board evaluates and determines the nature and extent of the risks (including environmental, social and governance related risks) that the Trustee-Manager is willing to accept in pursuit of the Group’s strategic and business objectives. It also reviews and monitors the effectiveness of the systems of risk management and internal control on an ongoing basis. The reporting and review processes include the review by the Executive Director and Board of the Group’s budgets, strategic plans, detailed operational and financial reports, budgets and plans provided by management of the business operations, actual results against the budget, review by the AC of the ongoing work of the Group’s internal audit and risk management functions, as well as regular business reviews by the Executive Director, CEO, CFO and the executive management team of each core business division.

CORPORATE GOVERNANCE REPORT

On behalf of the Board, the AC regularly reviews the corporate governance structure and practices within the Group and monitors compliance fulfillment on an ongoing basis.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses, fraud or non-compliance.

Internal Control Environment and Systems

Group structures covering all subsidiaries, associated companies and joint ventures are maintained and updated on a timely and regular basis. Managing Directors or General Managers are appointed to the boards of all material operating subsidiaries and associated companies for overseeing and monitoring those companies, including attendance at board meetings, review and approval of budgets and plans, and determination of business strategies with associated risks identified and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies, and similarly management of each business is accountable for its conduct and performance. The CEO monitors the performance and reviews the risk profiles of the Group companies on an on-going basis.

The internal control procedures of the Group include a comprehensive system for reporting information to the executive management teams of each core business units and the Executive Director.

Business plans and budgets are prepared annually by management of individual businesses and subject to review and approval by both the executive management team and the Executive Director as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and reforecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Director reviews monthly management reports on the financial results and key operating statistics of each business and holds monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance directors and financial controllers of each of the major businesses attend monthly meetings with the CFO to review monthly performance against budget and forecast, and to address accounting and finance related matters.

The Group maintains a centralised cash management system for its subsidiary operations. The Group's Finance Department oversees the Group's investment and lending activities and also evaluates and monitors financial and operational risks, and makes recommendations to Management to mitigate those risks. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Group has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specifically, material expenditures within the approved budget as well as unbudgeted expenditures are subject to approval by the Executive Director, the CEO or the CFO prior to commitment. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The Group also has established treasury policies covering specific aspects, such as bank account control and procedures, monitoring and compliance control for loan covenants, approval and reporting process for derivatives and hedging transactions.

In terms of formal review of the Group's internal control system, an internal control self-assessment process is in place, requiring the executive management team and senior management of each core business unit to review, evaluate and declare the effectiveness of the controls over the operations and devise action plans to address the issues, if any. These assessment results, together with the Risk Management Report described later in this report and the independent assessments by the auditors, form part of the bases on which the AC formulates its opinion on the effectiveness of the Group's risk management and internal control systems.

HPH Trust is committed to high standards of business integrity. The Group has in place an internal policy on competition law compliance, set out guidelines and conducts trainings for employees to ensure compliance with competition law in all its business dealings and conduct.

CORPORATE GOVERNANCE REPORT

Review of Risk Management and Internal Controls Systems

The Trustee-Manager regularly reviews the business and operational activities of HPH Trust to identify areas of significant business risk, assess how the risks are being managed, as well as take appropriate measures to control and mitigate these risks. HPH Trust adopts the Enterprise Risk Management framework which is consistent with the COSO (the Committee of Sponsoring Organizations of the Treadway Commission) framework. The framework facilitates a systematic approach in identifying, assessing and managing risks within the Group, be they strategic, financial, operational or compliance.

Risk management is an integral part of the day-to-day operations and management of the Group and is a continuous process carried out at all levels of the Group. There are ongoing dialogues between the CEO, CFO and the Management about current and emerging risks, their plausible impact and mitigation measures. These measures include instituting additional controls and safeguards and deploying appropriate insurance instruments to minimise or transfer any potential financial, compliance or other risks to the Group's businesses. The latter also includes Directors and Officers Liability Insurance to protect Directors and officers of the Group against potential personal legal liabilities.

In terms of formal risk review and reporting, the Group adopts a "top-down and bottom-up" approach, involving regular input from each core business unit as well as discussions and reviews by the Management, CEO and CFO and the Board, through the AC. More specifically, on a half-yearly basis, each core business unit is required to formally identify and assess the significant risks their business faces, whilst the CEO and CFO provide input after taking a holistic assessment of all the significant risks that the Group faces. Relevant risk information including key mitigation measures and plans are recorded in a risk register to facilitate the ongoing review and tracking of progress.

The composite risk register together with the risk heat map, as confirmed by the CEO and CFO, form part of the risk management report for review and approval by the AC on a half-yearly basis. The AC, on behalf of the Board, reviews the report and provides input as appropriate so as to ensure effective risk management is in place.

The Board has received assurance from (i) the CEO and the CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of HPH Trust's operations and finances and (ii) the CEO and other relevant key management personnel that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment for the financial year ended 31 December 2020.

The Board, through the AC, has conducted a review of the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems for the financial year ended 31 December 2020. Based on such reviews and the work performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the Group's risk management and internal control systems addressing material financial, operational, compliance and information technology risks are adequate and effective to meet the needs of the Group in its current business environment as at 31 December 2020. Such review covered reviews on the Group's compliance with terms provided for in the right of first refusal agreement ("ROFR Agreement") and the non-compete agreement ("Non-Compete Agreement"), both dated 28 February 2011 and amended by the respective amendment agreement dated 22 December 2015, entered into between HPH and the Trustee-Manager, in its capacity as the trustee-manager of HPH Trust. Details of the ROFR Agreement and Non-Compete Agreement are set out in the "Statement of Policies and Practices" section on page 82 of the Annual Report. The Board notes that the system of risk management and internal controls established by Management provides reasonable assurance that the Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. However, the Board also notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision-making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

Audit Committee

Principle 10

As at 31 December 2020, the AC comprised three Independent Non-executive Directors who possessed the relevant business, accounting and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of HPH Trust. It is chaired by Mr. Graeme Allan Jack with Mrs. Sng Sow-Mei (alias Poon Sow Mei) and Mr. Chan Tze Leung, Robert as members.

The AC held four meetings in 2020 with 100% attendance.

Name of Member	Attended/Eligible to attend
Mr. Graeme Allan Jack (Chairman)	4/4
Mr. Chan Tze Leung, Robert	4/4
Mrs. Sng Sow-Mei (alias Poon Sow Mei)	4/4

In 2020, the AC performed the duties and responsibilities under its terms of reference and other duties of the Code.

Acting in accordance with its terms of reference, throughout the year the AC oversees the relationship between the Trustee-Manager and its external auditor and external audit process, reviews the Group's half-yearly and full-year results and financial statements, and formal announcements relating to the Group's financial performance, oversees the Group's internal control and risk management function, monitors compliance with statutory and the SGX-ST Listing Manual requirements, reviews the scope, extent and effectiveness of the activities of the Group's internal audit function, and also oversees interested person transactions of the Group. Under its terms of reference, the AC is also required to report to the Board any inadequacies or deficiencies or matters of concern within its terms of reference and engage independent legal and other advisers and perform investigations as it determines to be necessary. The AC considers and makes recommendations to the Board on the appointment, re-appointment and removal of the external auditors, their remuneration and terms of engagement.

The AC meets with the CEO and CFO and other senior management of the Group from time to time to review the half-yearly and full-year results and financial statements, and any formal financial performance-related announcements and other financial, internal control, corporate governance and risk management matters of the Group. It receives, considers and discusses the reports and presentations of Management, the Group's internal and external auditors, PricewaterhouseCoopers LLP ("PwC"), with a view to ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong and Singapore and comply with the applicable disclosure requirements of the BTA, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. It also meets at least four times a year with the Group's principal external auditor to consider their reports on the scope, strategy, progress and outcome of its independent review of the half-yearly financial information, its annual audit of the consolidated financial statements as well as to discuss other matters arising from their audit of the Group. In addition, the AC holds regular private meetings with the external auditor, the CFO and the internal auditor separately without the presence of Management. During these meetings, the following key audit matters as reported by the external auditor for the year ended 31 December 2020 were addressed as follows:

Significant Matters	How the AC reviewed these matters
Asset impairment	The AC discussed with the management on the approach, valuation methodology and key assumptions applied to the asset impairment assessment. The AC also discussed with the external auditor and took into consideration the audit procedures undertaken to address such matter.
Revenue recognition	The AC had discussion with the management on tariffs applied and the adequacy and appropriateness of the revenue provision. They also discussed with the external auditor on their work performed, including their assessment of the key controls over revenue recognition.

CORPORATE GOVERNANCE REPORT

To assist the Board in maintaining effective risk management and internal control systems, in 2020, the AC also reviewed the process by which the Group evaluated its control environment and managed significant risks identified. It received and considered the risk management report, the composite risk register, risk heat map as well as the Management presentation on their review with respect to the effectiveness of the risk management and internal control systems of the Group.

In addition, the AC reviewed, in conjunction with the Group's Internal Audit, the 2020 work plans and resource requirements, and deliberated on the reports regarding the effectiveness of risk management and internal controls in the business operations of the Group. Further, it also considered the reports from the Legal Department on the Group's material litigation proceedings and compliance status on legal and regulatory requirements. These reviews and reports were taken into consideration by the AC when it made its recommendation to the Board for approval of the consolidated financial statements. During 2020, the AC also received periodic presentations on, and reviewed the compliance status of the Group with respect to the Code as well as other corporate governance topics including the Group's policies and practices on compliance with legal and regulatory requirements and ensured that any deviation from the Code was properly explained and disclosed in this report. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.

The AC reviewed the volume and nature of non-audit services provided by the external auditor and received the requisite information from the external auditor evidencing the latter's independence. Based on the information, the AC is satisfied that the non-audit services provided by the external auditor will not prejudice the independence and objectivity of the external auditor.

The total fees paid to the external auditor, PwC, are disclosed in the table below:

External Auditor Fees For FY2020	HK\$'000	% of total fees
Total Audit Fees	13,672	93%
Total Non-Audit Fees	1,025	7%
Total Fees Paid	14,697	100%

Based on the Interested Person Transactions Policy, the AC monitored the procedures established by the Trustee-Manager to regulate interested person transactions to ensure timely, complete and accurate reporting of these transactions. The AC also reviewed the volume and nature of interested person transactions.

HPH Trust is committed to achieving and maintaining the high standards of openness, probity and accountability and has in place a Whistleblowing Policy where staff of the Group and any other person may, in confidence, approach the AC to raise concerns about possible improprieties in matters of financial reporting or other matters. The Whistleblowing Policy is available on our corporate website (hphtrust.com/corporate_governance.html).

No AC member is a former partner or director of HPH Trust's existing auditing firm or auditing corporation (a) within a period of two years commencing on the date of his/her ceasing to be a partner or director and in any case (b) for as long as he/she has any financial interest in auditing firm or auditing corporation.

Internal Audit

The Group's internal audit function is performed by the internal audit staff of the controlling unitholder and does not administratively report to the CEO.

The General Manager of the Group's internal audit function, reporting directly to the chairman of AC, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. It has wide authority to access documents, records, properties and personnel of the Group. By applying risk assessment methodology and considering the dynamics of the Group's activities, internal audit derives its three-year risk-based audit plan for review by the AC. The audit plan is subject to continuous reassessment taking into account external and internal factors such as macro-economic and regulatory changes, business and operational changes, as well as audit and fraud findings which may affect the risk profile of the Group during the year.

CORPORATE GOVERNANCE REPORT

Internal audit is responsible for assessing the Group's risk management and internal control systems, formulating an impartial opinion on the systems, and reporting its findings to the AC, the CEO, the CFO and the senior management concerned as well as following up on the issues to ensure that they are satisfactorily resolved. In addition, internal audit maintains a regular dialogue with the Group's external auditor so that the parties are aware of the significant factors which may affect their respective scope of work.

The Internal Audit team including the Head of Internal Audit attained a combination of one or more professional qualifications in accountancy, internal audit, information systems audit, fraud examination, as well as having specialised knowledge in relevant areas like engineering. In addition, all the managerial grade staff have an average of over 20 years of experience in audit. The internal auditor carried out their audit work based on the Code of Ethics and International Standards for the Professional Practices for Internal Auditing issued by The Institute of Internal Auditors, which provide guidance for the professional conduct of internal auditing. Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function includes financial and operations reviews, business ethics, the reviews of compliance and information technology controls as well as risk management system, recurring and surprise audits, fraud investigations and productivity efficiency reviews. During the course of their work, the internal audit function is given full access to any documents, records or personnel including access to the AC.

The internal audit function is also responsible for periodic fraud analyses and independent investigations. In accordance with the Group's Code of Conduct and Anti-Fraud and Anti-Bribery Policy, each business unit follows the stated escalation procedures to report to the CFO and the General Manager of Internal Audit of the Trustee-Manager any actual or suspected fraudulent activities within one working day should the amount involved exceed the de minimis threshold as agreed between the CFO and the CEO or the head of finance of each business unit. In addition, each business unit submits a summary of fraud incidents statistics to the CFO who reports the statistics to the General Manager of Internal Audit of the Trustee-Manager on a quarterly basis. These cases, together with those escalated through the whistleblowing channels, are recorded in the Trustee-Manager's centralised fraud incidents register under the custody of the General Manager of Internal Audit of the Trustee-Manager, and are independently assessed and investigated as appropriate. The General Manager of Internal Audit of the Trustee-Manager would promptly escalate any incidents of a material nature to the Chairman of the Audit Committee for his direction. Also, a summary of the fraud incidents and relevant statistics (including results of independent investigations and actions taken) is presented to the AC on a quarterly basis.

Reports from the external auditor on internal controls and relevant financial reporting matters are presented to the General Manager of the Group's internal audit function and, as appropriate, to the CFO and the finance director or financial controller of the relevant executive management team. These reports are reviewed and the appropriate actions are taken.

The AC reviews the adequacy and effectiveness of the internal audit function annually. The review covers an assessment on the adequacy, qualifications and experience of its staff.

Based on the reporting structure, the methodology and standard used, the above-mentioned reviews and the work performed by the internal auditor, the AC is satisfied that the internal audit function is independent, effective and adequately resourced.

Legal and Regulatory

The Group is committed to ensuring its businesses are operated in compliance with local and international laws, rules and regulations. The Legal Department has the responsibility for safeguarding the legal interests of the Group. It is responsible for monitoring the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal documentation of Group companies, working in conjunction with finance, tax, treasury, corporate secretarial and business unit personnel on the review and co-ordination process, and advising Management of legal and commercial issues of concern. In addition, the Legal Department is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting responses or filings to relevant regulatory and/or government authorities on regulatory issues and consultations. The department also determines and approves the engagement of external legal advisers, ensuring the requisite professional standards are adhered to as well as most cost effective services are rendered.

CORPORATE GOVERNANCE REPORT

UNITHOLDER RIGHTS AND ENGAGEMENT

Unitholder Rights and Conduct of General Meetings

Principle 11

The Trustee-Manager treats all unitholders fairly and equitably in order to enable them to exercise unitholders' rights and have the opportunity to communicate their views on matters affecting HPH Trust. The Trustee-Manager gives unitholders a balanced and understandable assessment of the performance, position and prospects of HPH Trust.

All unitholders are entitled to attend the general meeting(s) of unitholders and are given the opportunity to participate effectively in the meeting(s). In accordance with the Trust Deed, individual or corporate unitholder (other than a unitholder who is a Relevant Intermediary with such meaning ascribed to it in the Companies Act, Chapter 50 of Singapore and apply with such modification and qualifications as may be necessary, to the units of HPH Trust) is allowed to appoint up to two proxies to attend and vote at the general meeting(s) on his or her behalf through proxy forms sent in advance. Unitholders who hold units through nominees such as custodian banks may vote through their nominee or custodian banks. Such unitholders may also, upon presentation of official letters issued by their nominees, attend the general meeting(s) as observers, subject to availability of seats. However, the Trust Deed does not allow for absentee voting at general meeting of unitholders. Since the authentication of unitholder identity information and other related security issues still remain a concern, the Trustee-Manager has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Each item of special business included in the notice of the general meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meetings and not bundled together unless the resolutions are interdependent and form one significant proposal.

Due to the outbreak of the COVID-19, the Annual General Meeting of the unitholders of HPH Trust ("Annual General Meeting") held on 8 June 2020 was convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended) ("COVID-19 Order"). The 2020 Annual General Meeting was attended by all Directors and the external auditors.

Voting at all general meetings are conducted by way of poll. Voting by proxy was used for the Annual General Meeting held on 8 June 2020 pursuant to the COVID-19 Order. Unitholders are informed of the rules of the Annual General Meeting and voting procedures under the Notice of Annual General Meeting dated 15 May 2020. Detailed results of the outcome are announced after the meeting via SGXNet.

The Company Secretary prepares minutes of unitholders' meetings. The minutes of the Annual General Meeting held on 8 June 2020 are announced via SGXNet and are available on HPH Trust's corporate website (hphtrust.com/download.html#agm).

HPH Trust's distribution policy is to distribute 100% of its Distributable Income. HPH Trust will make distributions on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates.

Engagement with Unitholders

Principle 12

The Group actively promotes investor relations and communication with the investment community throughout the year. An Investor Relations Policy, which is available on HPH Trust's corporate website, was adopted by the Board and is subject to regular review to ensure its effectiveness and compliance with the prevailing regulatory and other requirements. Through its CEO and CFO and the Group's Corporate Affairs function, the Group responds to requests for information and queries from the investment community including unitholders, analysts and the media through regular briefing meetings, announcements, conference calls and presentations. In addition, based on the Trust's Investor Relations Policy, unitholders may, at any time, direct questions, request for publicly available information and provide comments and suggestions to Directors or management of HPH Trust via HPH Trust's Investor Relations team, whose contact details are available from HPH Trust's website.

CORPORATE GOVERNANCE REPORT

The Board is committed to providing clear and full information on the Group to unitholders through the publication of notices, announcements, circulars, half-yearly and full-year financial results. The Trustee-Manager does not practise selective disclosures and releases its financial results and other material information to the unitholders of HPH Trust on a timely basis in accordance with the requirements of the SGX-ST Listing Manual, via the SGXNet system. All announcements made on behalf of HPH Trust are also available on HPH Trust's corporate website throughout the year.

All unitholders of HPH Trust will receive a copy of the Annual Report, and Notice of Annual General Meeting of the unitholders annually. Notices of all general meetings of the unitholders will also be advertised in a major newspaper in Singapore and will be made available on the SGX-ST's website.

The Annual General Meeting and other general meetings of HPH Trust provide one of the primary forums for communication with Unitholders and for Unitholders' participation. Such meetings provide Unitholders with the opportunity to share their views and to meet the Board, and certain members of senior management. At the Annual General Meeting, HPH Trust's financial performance and business for the preceding year is presented to Unitholders, followed by a question and answer session which fosters a constructive dialogue between Unitholders, Board members and management. The Board members and senior management also engage with Unitholders before and after the Annual General Meeting and address their concerns as and when appropriate. These exchanges provide a forum for management to explain HPH Trust's strategy and financial performance.

In respect of the Annual General Meeting held on 8 June 2020, HPH Trust adopted alternative arrangements pursuant to the COVID-19 Order.

Further information concerning the Group and its business can be located on corporate website.

The Group values feedback from unitholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions to the Board or HPH Trust are welcome and can be addressed to the Group Corporate Affairs function by mail at 150 Beach Road, #17-03 Gateway West, Singapore 189720 or by email to the Group at ir@hphtrust.com.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Group are served. For details, please refer to the Sustainability Report and Investor Relations section set out on pages 36 to 60 and page 61 of the Annual Report respectively. Information on the Group is also available at its corporate website (hphtrust.com).

DEALING IN SECURITIES

The Trustee-Manager has adopted its own internal codes of conduct to provide guidance to all officers of the Trustee-Manager with regard to dealings in units of HPH Trust ("Codes of Conduct") in compliance with Rule 1207(19) of the SGX-ST Listing Manual. Pursuant to the Codes of Conduct effective for the year 2020, the Directors, employees of the Trustee- Manager and executive staff of the Group are prohibited from dealing in the Units:

- (a) in the period commencing one month before the public announcement of HPH Trust's half-year and full-year results, and expiring on the date of announcement of the relevant results; and
- (b) at any time while in possession of price sensitive information.

The Directors, employees of the Trustee-Manager and executive staff of the Group are also expected not to deal in the units of HPH Trust on short-term considerations and to observe insider-trading laws at all times even when dealing with units of HPH Trust within the permitted trading period.

In response to specific enquiries made, all Directors have confirmed that they have complied with the relevant Codes of Conduct in their securities transactions throughout 2020. Key officers may, as requested by the Trustee-Manager, be required to confirm annually that they have complied with and are not in breach of the provisions of the relevant Codes of Conduct.

CORPORATE GOVERNANCE REPORT

STATEMENT OF POLICIES AND PRACTICES

The Trustee-Manager has established the following policies and practices in relation to its management and governance:

- (a) The trust property of HPH Trust is properly accounted for and the trust property is kept distinct from the property of the Trustee-Manager held in its own capacity. Different bank accounts are maintained for the Trustee-Manager in its capacity as trustee-manager of HPH Trust and the Trustee-Manager in its own capacity, and regular internal reviews are carried out to ascertain that all trust property has been fully accounted for.
- (b) The Management provides regular updates to the Board and the AC about potential projects that it is looking into on behalf of HPH Trust and the Board and the AC ensure that all such projects are within the permitted business scope under the Trust Deed. Prior to the carrying out of any significant business transaction, the Board, the AC and/or the Management will have careful regard to the provisions of the Trust Deed and when in doubt seek advice from professional advisers.
- (c) The Trustee-Manager is not involved in any other businesses other than managing HPH Trust. All potential conflicts, if they arise, will be identified by the Board and the Management and reviewed. In addition, the majority of the Board are Independent Directors of the Trustee-Manager who do not have management or business relationships with the Trustee-Manager and are independent from any substantial shareholder of the Trustee-Manager and are therefore able to examine independently and objectively, any potential conflicts between the interest of the Trustee-Manager in its own capacity and the interests of all unitholders of HPH Trust. In respect of matters in which a Director has an interest, direct or indirect, such interested Director will abstain from participating in the review and approval process with regard to the matter. There is (i) the Non-Compete Agreement pursuant to which HPH has undertaken not to invest in, develop, operate and manage deep-water container ports in the Guangdong Province, Hong Kong and Macau and HPH Trust has undertaken not to invest in, develop, operate and manage deep-water container ports in any part of the world outside of the Guangdong Province, Hong Kong and Macau, save that HPH may pursue any investment opportunity (including undertaking greenfield port development) declined by HPH Trust; and (ii) the ROFR Agreement pursuant to which (aa) a right of first refusal has been granted by HPH to HPH Trust to acquire a port development project or a developed port falling within the investment mandate of HPH Trust and owned by HPH or its subsidiaries and (bb) a right of first refusal has been granted by the Trustee-Manager as the trustee-manager of HPH Trust to HPH to acquire a port development project or a developed port of HPH Trust, both on terms and conditions contained in the ROFR Agreement. The Trustee-Manager maintains a register of all opportunities/ transactions arising from the implementation of the Non-Compete Agreement and the ROFR Agreement. Also, the Trustee-Manager incorporates in its internal audit plan, a review of the implementation of the Non-Compete Agreement and the ROFR Agreement and the AC reviews the internal audit reports at least twice a year to ascertain that the terms of the Non-Compete Agreement and the ROFR Agreement have been complied with.
- (d) The Management identifies interested person transactions in relation to HPH Trust. The Trustee-Manager maintains a register to record all interested person transactions which are entered into by HPH Trust and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into. The Trustee-Manager incorporates into its internal audit plan a review of all interested person transactions entered into by HPH Trust. The AC reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with and conducts an annual review of all such transactions to determine if such transactions have been conducted on normal commercial terms and will not be prejudicial to the interests of HPH Trust and the unitholders. In addition, all such interested person transactions conducted and any contract entered into by the Trustee-Manager on behalf of HPH Trust with a related party of the Trustee-Manager or HPH Trust, shall comply with and be in accordance with all applicable requirements of the SGX-ST Listing Manual and the BTA as well as such other guidelines as may from time to time be prescribed to apply to business trusts.
- (e) The expenses payable to the Trustee-Manager in its capacity as the trustee-manager of HPH Trust out of the Trust property are appropriate and in accordance with the Trust Deed, and regular internal reviews are carried out to ensure such expenses payable are in order. Fees and expenses paid to the Trustee-Manager out of HPH Trust property for the financial year ended 31 December 2020 are disclosed in note 29(i)(f) to the financial statements, on page 141 of the Annual Report.
- (f) The Trustee-Manager has engaged the services of and obtained advice from professional advisers and consultants from time to time, and has complied with the requirements of the BTA and the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The aggregate of transactions entered into with interested persons of HPH Trust during the financial year ended 31 December 2020 pursuant to Rule 907 of the SGX-ST Listing Manual are as follows:

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) of the SGX-ST Listing Manual	Aggregate value of all interested person transactions conducted under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) of the SGX-ST Listing Manual
		2020 HK\$'000	2020 HK\$'000
CK Hutchison Holdings Limited ("CKHH") and its subsidiaries and its associates	CKHH is the controlling unitholder of HPH Trust and controlling shareholder of the Trustee-Manager	309,625	NIL

MATERIAL CONTRACTS

There are no material contracts between HPH Trust and its subsidiaries involving the interests of the CEO, each Director or controlling unitholder¹ of HPH Trust, either still subsisting at the end of the financial year ended 31 December 2020, or if not then subsisting, entered into since the end of the previous financial year, other than, where applicable:

- (a) as disclosed on pages 305 to 330 of the IPO Prospectus²;
- (b) as disclosed in note 29 to the financial statements of the Annual Report; and
- (c) interested person transactions as listed in the Interested Person Transactions section of the Annual Report.

¹ "Controlling unitholder" refers to a person with an interest in the units of HPH Trust consisting not less than 15% of all outstanding units

² The Prospectus dated 7 March 2011 and registered with the Monetary Authority of Singapore on 7 March 2011

SUMMARY OF DISCLOSURES

Summary of Disclosures of Code of Corporate Governance 2018 (“Code”)

Rule 710 of the SGX-ST Listing Manual requires Singapore listed companies to describe their corporate governance practices with specific reference to the Code in their annual reports for financial years commencing on or after 1 January 2019. This summary of disclosures describes our corporate governance practices with specific reference to the disclosure requirements in the principles and provisions of the Code.

Board Matters	Remuneration Matters	Unitholder Rights and Engagement
The Board’s Conduct of Affairs	Procedures for Developing Remuneration Policies	Unitholder Rights and Conduct of General Meetings
Principle 1	Principle 6	Principle 11
Provision 1.1 Page 63	Provision 6.1 Page 72	Provision 11.1 Page 80
Provision 1.2 Pages 65 and 66	Provision 6.2 Page 72	Provision 11.2 Page 80
Provision 1.3 Page 64	Provision 6.3 Page 72	Provision 11.3 Page 80
Provision 1.4 Pages 63, 72, 77 and 78	Provision 6.4 Page 72	Provision 11.4 Page 80
Provision 1.5 Page 64	Level and Mix of Remuneration	Provision 11.5 Page 80
Provision 1.6 Pages 64 and 65	Principle 7	Provision 11.6 Page 80
Provision 1.7 Pages 65 and 66	Provision 7.1 Page 72	Engagement with Unitholders
Board Composition and Guidance	Provision 7.2 Page 72	Principle 12
Principle 2	Provision 7.3 Pages 72 and 74	Provision 12.1 Pages 80 and 81
Provision 2.1 Pages 67 to 70	Disclosure on Remuneration	Provision 12.2 Pages 80 and 81
Provision 2.2 Pages 66, 67 and 71	Principle 8	Provision 12.3 Pages 80 and 81
Provision 2.3 Pages 66, 67 and 71	Provision 8.1 Pages 72 to 74	
Provision 2.4 Page 67	Provision 8.2 Page 74	
Provision 2.5 Page 67	Provision 8.3 Pages 72 to 74	
Chairman and Chief Executive Officer	Accountability and Audit	Managing Stakeholders Relationships
Principle 3	Risk Management and Internal Controls	Engagement with Stakeholders
Provision 3.1 Page 70	Principle 9	Principle 13
Provision 3.2 Page 70	Provision 9.1 Page 74	Provision 13.1 Pages 36 to 60, 61, and 81
Provision 3.3 Page 70	Provision 9.2 Page 76	Provision 13.2 Pages 36 to 60, 61 and 81
Board Membership	Audit Committee	Provision 13.3 Pages 36 to 60, 61 and 81
Principle 4	Principle 10	
Provision 4.1 Page 71	Provision 10.1 Pages 77 to 79	
Provision 4.2 Page 71	Provision 10.2 Page 77	
Provision 4.3 Page 71	Provision 10.3 Page 78	
Provision 4.4 Pages 67 to 70	Provision 10.4 Pages 78 to 79	
Provision 4.5 Pages 26 to 30 and 65	Provision 10.5 Page 77	
Board Performance		
Principle 5		
Provision 5.1 Page 71		
Provision 5.2 Page 71		