

# Corporate Governance Report

CitySpring Infrastructure Management Pte. Ltd. (“Trustee-Manager”) as Trustee-Manager of CitySpring Infrastructure Trust (“CitySpring”) is responsible for safeguarding the interests of the unitholders of CitySpring and managing the business of CitySpring. The Board of Directors of the Trustee-Manager (the “Board”) and its Management are committed to a high standard of corporate governance so as to ensure transparency and protection of unitholders’ interests.

The Business Trusts Act, Chapter 31A, of Singapore (“BTA”) stipulates requirements and obligations in respect of corporate governance. The Business Trusts Regulations 2005 (“BTR”) set out the requirements for, among other things, board composition of a trustee-manager, audit committee composition of a trustee-manager and independence of directors of a trustee-manager. The Trustee-Manager, in addition to complying with BTA and BTR, uses the Code of Corporate Governance 2005 (the “Code”) as its benchmark for its corporate governance policies and practices.

This report sets out the key aspects of the Trustee-Manager’s corporate governance framework and practices.

## 1. The Board’s Conduct of its Affairs

The primary role of the Board is to protect and enhance long-term unitholders’ value. The Board sets the corporate strategies, and the direction and goals for the management team of the Trustee-Manager. The Board supervises the management and monitors performance in relation to achieving these goals. The Board is also responsible for the overall corporate governance of CitySpring and its subsidiaries, which comprise 100% owned City Gas Trust, 70% owned SingSpring Trust and 100% owned Basslink Group of Companies (collectively the “Group”). The principal functions of the Board are to:

- guide the strategy and direction of the Group;
- ensure that senior management exercises business leadership with integrity and enterprise;
- review the financial performance of the Group;
- approve acquisitions, financing of the acquisitions and fund raising by the Group;
- evaluate systems and processes, and adequacy of internal controls, risk management and financial reporting;
- ensure compliance with regulatory and statutory requirements; and
- assume responsibility for corporate governance.

To help discharge its responsibilities, the Board (which comprises 9 members) has established a number of Board Committees; namely the Audit Committee (“AC”), Finance and Investment Committee (“FIC”), Governance and Nominating Committee (“GNC”), Management Development and Compensation Committee (“MDCC”) and Conflicts Resolution Committee (“CRC”). These committees function within clearly defined terms of reference and operating procedures. The terms of reference of these committees are reviewed on a regular basis.

# Corporate Governance Report

The composition of the Board Committees as at the date of this report are:

Name of Directors	Board	Audit Committee	Finance and Investment Committee	Governance and Nominating Committee	Management Development and Compensation Committee	Conflicts Resolution Committee
Sunny George Verghese <sup>+</sup>	Non-Executive Chairman and Independent Director	-	-	-	-	Chairman*
Peter Foo Moo Tan	Independent Director	Member	-	Member*	Chairman	-
Yeo Wico	Independent Director	-	-	Chairman	Member*	Member
Mark Andrew Yeo Kah Chong	Independent Director	Chairman	Member	-	-	Member
Haresh Jaisinghani Rupchand	Independent Director	Member	Member	-	-	Member
Daniel Cuthbert Ee Hock Huat <sup>#</sup>	Independent Director	-	Member	Member	Member	Chairman
Tan Ek Kia <sup>#</sup>	Independent Director	-	-	-	Member	-
Margaret Lui-Chan Ann Soo <sup>^</sup>	Director	-	Chairman	Member	Member	-
Au Yeung Fai	Executive Director	-	Member	-	-	-

\* up to 26 April 2010

# appointed on 26 April 2010

+ Mr Sunny Verghese will step down upon the conclusion of the CitySpring Annual General Meeting ("AGM") which will be held on 16 July 2010 and Mr Daniel Ee will succeed him as Chairman of the Board

^ Ms Margaret Lui-Chan will retire at the forthcoming Annual General Meeting of the Trustee-Manager (the "Trustee-Manager AGM") scheduled to be held on 16 July 2010 after the conclusion of the AGM. Mr Ong Beng Teck will be appointed as a Director at the Trustee-Manager AGM.

As part of its succession planning, the Board on the recommendation of the Governance and Nominating Committee appointed two additional Independent Directors on 26 April 2010. Mr Daniel Ee and Mr Tan Ek Kia have varied corporate and management experience and will complement the existing expertise of the present Board.

The Board has also announced that Mr Sunny Verghese will step down upon the conclusion of the CitySpring Annual General Meeting ("AGM") which will be held on 16 July 2010 and Mr Daniel Ee will succeed him as Chairman of the Board. Ms Margaret Lui will retire at the forthcoming Annual General Meeting of the Trustee-Manager (the "Trustee-Manager AGM") scheduled to be held on 16 July 2010 after the conclusion of the AGM. The following appointments will take effect upon the conclusion of the Trustee-Manager AGM. Mr Daniel Ee will take over as Chairman of the FIC whilst Mr Ong Beng Teck, who will be appointed as a Director, will also be appointed as a member of the FIC, GNC and MDCC.

# Corporate Governance Report

The Board meets on a quarterly basis to review and approve, among other things, the quarterly financial results of the Trust. Between scheduled quarterly Board meetings, matters for information or approval are dealt with by circulation or ad-hoc Board meetings. Detailed papers are submitted to the Board in a timely manner, providing information on the background and justifications for each proposal or mandate sought, including where applicable, forecasts and projections. Where necessary, Board meetings are held by tele-conference, which is permitted by the Articles of Association of the Trustee-Manager.

During the year, the Directors attended a two-day off-site “Strategic Session” with management to review and discuss CitySpring’s strategic growth initiatives.

The table below sets out the attendances at meetings of the members of the Board and the Board Committees which were convened during the financial year:

Name of Directors	Board	Audit Committee	Finance and Investment Committee	Governance and Nominating Committee	Management Development and Compensation Committee	Conflicts Resolution Committee
Sunny George Verghese	9	-	-	-	-	1
Peter Foo Moo Tan	8	4	-	1	4	-
Yeo Wico	10	-	-	1	4	1
Mark Andrew Yeo Kah Chong	9	5	10	-	-	1
Haresh Jaisinghani Rupchand	10	5	10	-	-	1
Margaret Lui-Chan Ann Soo	9	-	10	1	4	-
Au Yeung Fai	10	-	10	-	-	-
Number of meetings held	10	5	10	1	4	1

Newly appointed Directors are given briefings by management on the business activities of the subsidiaries and visits are arranged to Senoko Gas Works owned by City Gas Trust, the desalination plant owned by SingSpring Trust and the converter station located at Loy Yang in Victoria, Australia which is part of the Basslink interconnector system.

# Corporate Governance Report

## 2. Board Composition and Balance

The composition of the Board is determined using the following principles:

- the majority of Board members should be non-executive and independent directors;
- the chairman of the Board should be a non-executive director;
- the Board should comprise directors with a wide range of commercial and management experience; and
- at least a majority of the directors should be independent from management and business relationships with the Trustee-Manager and from the substantial shareholder of the Trustee-Manager.

The directors come from diverse backgrounds with varied expertise in the infrastructure industry, finance, legal, business and management and are able to use their experience to further the interests of CitySpring. The Board has the appropriate balance of independent directors. The independent directors are particularly aware of their responsibility to constantly place the interests of unitholders foremost in the consideration of any relevant matters. The composition of the Board is reviewed periodically to ensure that the Board comprises an appropriate mix of expertise and experience to best serve the interests of CitySpring and its unitholders.

## 3. Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by different individuals in order to maintain a proper balance of power and authority.

The Chairman is responsible for the effective functioning of the Board including ensuring competency and the regular engagement of management in constructive debate on strategy, business operations, enterprise risk and other plans. The Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day-to-day management of CitySpring.

## 4. Board Membership

The majority of the Board members are non-executive independent Directors. The Governance and Nominating Committee (“GNC”) reviews board membership.

The GNC comprises three members, majority of whom including its Chairman are Independent Directors. The members of this committee are:

Mr Yeo Wico	– Chairman, Independent Director
Ms Margaret Lui-Chan Ann Soo	– Director
Mr Daniel Cuthbert Ee Hock Huat	– Independent Director (appointed on 26 April 2010)
Mr Peter Foo Moo Tan	– Independent Director (up to 26 April 2010)

# Corporate Governance Report

The GNC's duties with regards to nomination functions are as follows:

- review and assess candidates for directorships to the Board or the Boards of subsidiary entities (including executive directorships) before making recommendations for appointment of new Directors and re-appointment of existing Directors;
- determining annually whether or not a Director is independent in the manner provided in the BTR; and
- deciding whether or not a director is able to and has been adequately carrying out his duties as a Director.

The GNC sources for candidates who would be able to value add to management through their contributions in the relevant strategic business areas and in the constitution of strong and diverse boards.

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

During the financial year, GNC met once to review the appointment of directors to the Board and to the Boards of the subsidiary entities and to review the board performance evaluation.

The GNC also conducted an annual review of the independence of the Independent Directors in accordance with the BTR. The seven Independent Directors – Messrs Sunny Verghese, Peter Foo, Yeo Wico, Mark Yeo, Haresh Jaisinghani, Daniel Ee and Tan Ek Kia – are considered to be independent from Temasek Holdings Pte Ltd (“Temasek”), which is a substantial shareholder of the Trustee-Manager through its wholly owned subsidiary, Nassim Investments Pte Ltd as well as independent from the management relationships with the Trustee-Manager. Temasek is also the Sponsor of CitySpring in its IPO. Construed within the context of the BTR, the independent directors are considered to have business relationships with the Trustee-Manager and its related corporations which consist of a large group of corporations, namely Temasek and its related corporations (“Temasek Group”) and which have extensive business activities.

Messrs Sunny Verghese, Peter Foo, Yeo Wico, Mark Yeo, Haresh Jaisinghani, Daniel Ee and Tan Ek Kia have, in the course of their service as Directors of the Trustee-Manager, shown independent judgement in their deliberation of the interest of CitySpring.

The GNC and the Board of Directors have considered the business relationships of the Independent Directors (whether individually or through companies or firms of which they are directors, employees or partners) with the Trustee-Manager, its substantial shareholders and its related corporations including the Temasek Group. They are satisfied that such business relationships have not and will not interfere with each of the Independent Director's independent judgment and ability to act in the interests of all unitholders. In view of the foregoing, the Board is satisfied that the Independent Directors are considered to be independent.

# Corporate Governance Report

Ms Margaret Lui-Chan Ann Soo is not considered to be an independent director as she is a Managing Director at Temasek, and currently seconded to Seatown Holdings Pte Ltd, a wholly owned subsidiary of Temasek. Mr Au Yeung Fai is not considered to be an independent director as he is the Chief Executive Officer of the Trustee-Manager.

## 5. Board Performance

The GNC has adopted a set of board performance appraisal criteria which was endorsed by the Board. The annual performance evaluation enables the GNC to identify areas of improvement to the Board's effectiveness as a whole. The evaluation process is carried out by way of an assessment checklist through which all the Directors are required to complete and assess the overall effectiveness of the Board. The collated findings are reported to and recommendations made to the Board for consideration and for future improvements to help the Board discharge its duties more effectively.

## 6. Access to Information

The Board is provided with an agenda for each meeting and Board papers are circulated in advance to enable Directors to review the information and to obtain such details and explanations where necessary. Management who can provide additional insight into the matters being discussed are present at the relevant time during the Board meeting.

All Directors have unrestricted access to management to enable them to carry out their duties.

In addition, Directors have separate and independent access to the advice and services of the joint Company Secretaries, who are responsible to the Board for ensuring established procedures and that the relevant statutes and regulations are complied with.

Each Director has the right to seek independent legal and other professional advice concerning any aspect of CitySpring's operations or undertakings in order to fulfill their duties and responsibilities as a Director.

## 7. Procedures for Developing Remuneration Policies

The Management Development and Compensation Committee ("MDCC") comprises four non-executive Directors, three of whom (including the Chairman) are independent. The members of the MDCC are:

Mr Peter Foo Moo Tan	– Chairman, Independent Director
Ms Margaret Lui-Chan Ann Soo	– Director
Mr Daniel Cuthbert Ee Hock Huat	– Independent Director (appointed on 26 April 2010)
Mr Tan Ek Kia	– Independent Director (appointed on 26 April 2010)
Mr Yeo Wico	– Independent Director (up to 26 April 2010)

# Corporate Governance Report

The MDCC, guided by the principles of the Code, regularly reviews the recruitment, appointment, development and compensation of senior staff with reference to data provided by market surveys of comparative groups in the investment and other related sectors. The MDCC also reviews and recommends the fees payable to Directors serving on the Board and Board Committees.

During the financial year, the MDCC met four times. MDCC has reviewed and approved a framework for determining the bonus pool which takes into consideration the performance of the subsidiary entities and the Group. This provides transparency to the employees and at the same time provides MDCC with the flexibility to determine the quantum of award. A long-term cash incentive plan for senior management staff of the subsidiary entities has also been implemented. Any award under the long-term cash incentive plan will only be vested if the Group meets certain agreed performance targets over a period of time.

## 8. Level and Mix of Remuneration and Disclosure of Remuneration

In developing a framework of remuneration and the specific remuneration packages for the Directors and key executive officers of the Trustee-Manager and the subsidiaries of CitySpring, the MDCC takes into consideration the pay and employment conditions within the industry and in comparable companies. The MDCC has access to advice from the human resources department and from external sources if required.

The Directors other than the Chief Executive Officer receive a fixed fee. Payment of the directors' fees is subject to approval by the shareholder of the Trustee-Manager. The Directors' fees and the remuneration of the Management and staff of the Trustee-Manager are paid by the Trustee-Manager out of the management fees paid by CitySpring to the Trustee-Manager, details of which are set out in Note 9 of the financial statements.

# Corporate Governance Report

The summary remuneration table disclosed in bands for the Directors and top five key executives of the Trustee-Manager and the subsidiaries of CitySpring for the financial year ended 31 March 2010 is set out below:

	Directors Fees %	Salary %	Variable Bonus %	Benefits %	Total %
<b>DIRECTORS</b>					
Below \$250,000					
Mr Sunny George Verghese	100	-	-	-	100
Mr Peter Foo Moo Tan	100	-	-	-	100
Mr Yeo Wico	100	-	-	-	100
Mr Mark Andrew Yeo Kah Chong	100	-	-	-	100
Mr Haresh Jaisinghani Rupchand	100	-	-	-	100
Ms Margaret Lui-Chan Ann Soo	100	-	-	-	100
\$1 million to \$1.25 million					
Mr Au Yeung Fai Chief Executive Officer, Trustee-Manager	Nil	59	22	19	100
<b>KEY EXECUTIVES</b>					
\$500,000 to below \$750,000					
Mr Tong Yew Heng Chief Financial Officer, Trustee-Manager and Chief Executive Officer, SingSpring	Nil	66	26	8	100
\$250,000 to below \$500,000					
Mr Ng Yong Hwee President and Chief Executive Officer, City Gas	Nil	71	22	7	100
Mr Malcolm Eccles Chief Executive Officer, Basslink Pty Ltd	Nil	75	15	10	100
Ms Susanna Cher Vice President (Finance & Corporate Services) and Company Secretary, Trustee-Manager	Nil	66	25	9	100
Mr Teo Kwan Hai Senior Vice President (Customer Service) City Gas	Nil	78	22	0	100

There are no employees of the Trustee-Manager, CitySpring and its subsidiaries who are immediate family members of the Directors and whose remuneration exceed \$150,000 during the financial year ended 31 March 2010.

# Corporate Governance Report

## 9. Accountability

The Board and Management's goal is to deliver sustainable value to the unitholders of CitySpring.

Unitholders are provided with quarterly results and major announcements are available through the SGX-ST website. CitySpring's latest events, press releases, analysts' presentations, distribution notices and other relevant information are also posted on its own website.

## 10. Audit Committee

The AC comprises three members, all of whom are independent directors. The members of the AC are as follows:

Mr Mark Andrew Yeo Kah Chong	–	Chairman, Independent Director
Mr Peter Foo Moo Tan	–	Independent Director
Mr Haresh Jaisinghani Rupchand	–	Independent Director

The responsibilities of the AC include:

- reviewing the financial statements and the internal audit report;
- reviewing audit reports (whether external or internal) to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- reviewing activities of the outsourced internal auditor (see Paragraph 11) on factors such as their independence, adequate resources and appropriate standing to perform an effective role;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and any applicable guidelines;
- monitoring and evaluating the effectiveness of the Trustee-Manager's internal controls;
- reviewing the quality and reliability of information prepared for inclusion in the financial reports;
- nominating the external auditor and reviewing the cost and scope of work and the auditor's performance;
- reviewing the independence and objectivity of the external auditor and where the auditor also provides a substantial volume of non-audit services to CitySpring, the nature and extent of such services;
- monitoring the procedures established to regulate interested party transactions, including reviewing any interested party transactions entered into from time to time and ensuring compliance with applicable legislation and the relevant provisions of the Listing Manual;
- review effectiveness of safety, health and environment procedures established and appoint external parties to conduct independent reviews if required and report areas of potential risk; and
- review the enterprise risk management system and appoint external parties to conduct independent reviews if required and report areas of potential risk.

# Corporate Governance Report

The AC has full access to the management and full discretion to invite any Director or management staff to attend its meetings. The AC also has the authority to conduct or authorise investigations into any matters within its scope of responsibility and to obtain independent professional advice if it deems necessary in the discharge of its responsibilities.

During the financial year, the AC met five times. The activities at the meetings included the following:

- review of the quarterly and full-year results and the financial statements, announcements required by the SGX-ST and solvency statements for recommendation to the Board for approval;
- discussions with the external auditor on the annual audit plan and the report on the audit of the financial statements, review of the external auditor's management letter and management's response, review of the external auditor's objectivity and independence, review of the audit fees payable and made recommendations on the appointment of the external auditor;
- review of the effectiveness of the internal controls of CitySpring and its subsidiaries and the Trustee-Manager, including financial compliance and risk management controls to safeguard the interests of the unitholders and the trust property;
- discussions with the internal auditor on the internal audit plan and the internal audit report;
- review of all interested person transactions and the quarterly interested person transactions report of the subsidiaries to ensure compliance with the Listing Manual and the BTA; and
- review the current health, safety and environment policies and quarterly reports of the subsidiary entities and ensure compliance with approved group wide health, safety and environment policies.

The Audit Committee Guidance Committee issued the Guidebook for Audit Committees in Singapore in October 2008. The Guidebook has been distributed to all members of the Audit Committee and the Board. Where appropriate, the Audit Committee will adopt relevant best practices set out in the Guidebook, which will be used as a reference to assist the Committee in performing its functions.

A whistle blowing policy has been put in place to provide a channel through which employees may report, in good faith and in confidence, any concerns in financial and other matters, and arrangements have been put in place for independent investigation with appropriate follow-up action.

The total amount of non-audit fee paid to the external auditors during the financial year is approximately \$170,000 (2009: \$136,000). The AC confirms that it has undertaken a review of all non-audit services provided by the external auditors and they would not, in the AC's opinion, affect the independence of the external auditors.

# Corporate Governance Report

## 11. Internal Controls and Audit

The Board ensures that a review of the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management, is conducted annually. The Board through the AC reviews the audit plans, and the findings of the auditor and ensures that the management follows up on the auditor's recommendations raised, if any, during the audit process.

The Group has engaged Grant Thornton Specialist Services Pte. Ltd. as its internal auditor. The internal auditor reports directly to the Chairman of AC on all internal audit matters.

The Board is of the view that the Group and the Trustee-Manager currently have an adequate internal control system in place during the financial period under review to provide reasonable assurance that the Group's assets are safeguarded, laws and regulations are complied with and that the financial reporting is reliable.

The Board acknowledges that a system of internal controls is designed to manage rather than to eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss and therefore no cost effective internal control system will preclude all errors and irregularities.

## 12. Communication with Unitholders

As part of the continuing obligations of the Trustee-Manager under the Listing Manual, the Board's policy is that all unitholders be informed in a timely manner of all major developments that affect the Group.

Quarterly results, full year results, distribution notices, press releases, analysts briefing presentations, announcements on acquisitions and other major developments are announced through the SGXNet and also posted on CitySpring's website at [www.cityspring.com.sg](http://www.cityspring.com.sg).

The management of the Trustee-Manager meets with analysts, institutional investors and fund managers regularly to communicate CitySpring's business performance and developments and gather views and feedback. Management has also participated in seminars organised by SGX, and road shows organised by broking houses both locally and overseas.

All investors were invited to an investor's seminar which was held on 5 December 2009. This was attended by about 400 investors who took the opportunity to ask questions of the Trustee-Manager in an open forum.

All unitholders will receive the Annual Report and notices of general meetings. The Board of Directors of the Trustee-Manager will be in attendance at the CitySpring's Annual General Meeting to address questions from unitholders.

# Corporate Governance Report

## 13. Dealing In Securities

The Trustee-Manager has procedures in place prohibiting dealings by Directors and staff of the Trustee-Manager and the Directors, management and employees of the subsidiaries of CitySpring (collectively, "Related Staff") for the period of two weeks prior to the announcement of the CitySpring's quarterly results and for a period of one month prior to the announcement of the annual results and ending on the date of the announcement of the relevant results.

Related Staff are also informed that they must be mindful of the laws relating to insider trading and must not deal in:

- Units on short-term consideration;
- Units while in possession of unpublished materially price-sensitive information; and
- the securities of other listed companies while in possession of unpublished materially price-sensitive information.

## 14. Interested Person Transactions

The Trustee-Manager has established review and approval procedures to ensure that interested person transactions entered into by the Group are conducted on normal commercial and arm's length terms and are not prejudicial to the interests of the Group and its minority unitholder.

# Corporate Governance Report

The interested person transactions transacted for the period from 1 April 2009 to 31 March 2010 by the Group are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review excluding (1) transactions less than \$100,000 (2) transactions conducted under shareholders' mandate pursuant to Rule 920 and (3) transactions disclosed in the IPO Prospectus	Aggregate value of all interested person transactions conducted during the financial year under review (1) under shareholders' mandate pursuant to Rule 920 and (2) transactions disclosed in the IPO Prospectus (excluding transactions less than \$100,000)
	2010 \$'000	2010 \$'000
<b>(a) Sales</b>		
PowerGas Limited	–	308
SATS Catering Pte. Ltd.	–	4,483
<b>(b) Purchases</b>		
Aetos Security Management Pte. Ltd.	–	537
Gas Supply Pte. Ltd <sup>(1)</sup>	–	101,673
PowerGas Limited	–	76,092
SembCorp Power Pte. Ltd.	–	4,447
SP Services Limited <sup>(2)</sup>	–	12,482
<b>(c) Leasing of Assets (Rental Charges)</b>		
PowerGas Limited	–	395
SP Services Limited	–	205
<b>(d) Management Fee Expenses</b>		
CitySpring Infrastructure Management Pte. Ltd.	–	5,022
<b>(e) Reimbursement of Expenses</b>		
PowerGas Limited	–	4,303

(1) This includes the value of purchases of additional natural gas under the supplemental gas purchase agreement dated 16 May 2008 by City Gas Trust to secure an additional supply of natural gas from Gas Supply Pte Ltd as approved by independent unitholders at the extraordinary general meeting held on 3 July 2008.

(2) This includes the value of services rendered by SP Services Limited under the renewed utilities support services agreement dated 1 June 2009 as approved by independent unitholders at the extraordinary general meeting held on 22 July 2009.

# Corporate Governance Report

## 15. Other Board Committees

In addition to the GNC, MDCC and AC described under Principles 4, 7 and 10 respectively, the Board has set up two other Board Committees as follows:

### Finance and Investment Committee

The FIC consists of the following members:

Ms Margaret-Lui Chan Ann Soo	–	Chairman, Director
Mr Mark Andrew Yeo Kah Chong	–	Independent Director
Mr Haresh Jaisinghani Rupchand	–	Independent Director
Mr Daniel Cuthbert Ee Hock Huat	–	Independent Director (appointed on 26 April 2010)
Mr Au Yeung Fai	–	Executive Director

The Committee's terms of reference are to:

- review and recommend to the Board on mergers, acquisitions and divestments;
- review and recommend distribution policy and declaration of distributions of the Trust;
- review and recommend financial strategies, policies, and capital structure of the Trust;
- review and recommend approval of the budget of the Group;
- review and recommend equity capital raising plans for the Trust;
- review and recommend debt capital raising plans and significant banking arrangements in relation to the Trust;
- review investment policy guidelines and capital expenditure plans for the Trust; and
- review and assess the adequacy of foreign currency management in relation to the Trust.

During the year, the Committee met or discussed through conference calls ten times and reviewed proposed investments, financing options (including the rights issue which was completed in September 2009), distribution guidance, budget of the Trust and the subsidiaries, and recommended their approval to the Board.

### Conflicts Resolution Committee

The CRC consists entirely of Independent Directors as follows:

Mr Sunny George Verghese	–	Chairman, Independent Director (up to 26 April 2010)
Mr Daniel Cuthbert Ee Hock Huat	–	Chairman, Independent Director (appointed from 26 April 2010)
Mr Yeo Wico	–	Independent Director
Mr Mark Andrew Yeo Kah Chong	–	Independent Director
Mr Haresh Jaisinghani Rupchand	–	Independent Director

# Corporate Governance Report

The Committee's terms of reference are to review conflicts or potential conflicts of interest that may arise from time to time in the course of CitySpring's business or operations between (i) CitySpring and (ii) any director or officer of the Trustee-Manager, any controlling unitholder, or any controlling shareholder of the Trustee-Manager.

The CRC has developed a framework to resolve conflicts or potential conflicts of interest. First, it will identify the conflict or potential conflict of interest and then assess and evaluate its nature and extent. Thereafter, it will develop and implement one or more appropriate measures with the aim of controlling, avoiding or mitigating such conflict or potential conflict. The CRC will apply this framework for both day-to-day conduct of business, as well as in specific instances when a particular acquisition or disposal is contemplated. The framework will be reviewed periodically to ascertain how it has worked in practice. The CRC will consider and implement further measures to fine-tune the framework from time to time, applying the benefit of practical experience thus far encountered.

The CRC has the power to appoint an independent adviser to advise on and recommend procedures to resolve or mitigate conflict or potential conflict of interests, so as to enable the committee to discharge its duties to the unitholders.

The CRC and the framework will be in place so long as:

- CitySpring Infrastructure Management Pte. Ltd. remains the Trustee-Manager of CitySpring; and
- Temasek and its related corporations remain a controlling shareholder of the Trustee-Manager or in fact exercises control over the Trustee-Manager.

The CRC met once during the financial year to review and discuss the sub-underwriting arrangement that Napier Investments Pte Ltd ("Napier"), a wholly owned subsidiary of Temasek, had with the joint underwriters of the rights issue of CitySpring which was completed in September 2009. Napier had agreed with the two underwriters of the rights issue to underwrite 156,858,000 rights units representing approximately 32.01% of the rights units to be issued. The CRC noted that the underwriters had confirmed that they had initiated discussions with Napier to sub-underwrite the rights issue and that they would not proceed to underwrite unless among other things, Napier agreed to sub-underwrite and that to the best of their respective knowledge, negotiations in respect of the sub-underwriting arrangement were carried out on an arm's length basis and the commercial terms of the sub-underwriting arrangement were consistent with current market practice for rights issues in Singapore. The Members were of the view, among others that any conflict of interest or potential conflict of interest arising in the rights issue had been discussed, mitigated and resolved and that the terms of the sub-underwriting agreement were fair and not prejudicial to the interests of CitySpring and its unitholders (other than Temasek and its wholly-owned subsidiaries).

# Corporate Governance Report

## 16. Material Contracts

There were no material contracts, that were not in the ordinary course of business, entered into by CitySpring or any of its subsidiaries involving the interest of the Chief Executive Officer, any Director, or controlling unitholder during the financial year ended 31 March 2010.

## 17. Statement of Policies and Practices

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

- the trust property of CitySpring is properly accounted for and trust property is kept distinct from the property of the Trustee-Manager in its own capacity. Different bank accounts are maintained for the Trustee-Manager in its personal capacity and in its capacity as the Trustee-Manager of CitySpring;
- the Board reviews and approves all business ventures and acquisitions for CitySpring. CitySpring is focused on infrastructure business or investments in infrastructure business;
- the measures taken to manage conflicts or potential conflicts of interest are set out in paragraph 15 above;
- management identifies Interested Person Transactions (“IPTs”) in relation to CitySpring. The Internal Auditor conducts quarterly reviews to determine that there are proper procedures to identify, monitor and report IPTs. IPTs are properly accounted for and the IPTs are transacted on normal commercial terms as those extended to third parties. The Internal Auditor reports their quarterly findings to the AC. The AC examines the quarterly reports to satisfy themselves that all IPTs are conducted in accordance with applicable requirements of the Listing Manual and the BTA and any other guidelines as may be applicable. IPTs in relation to CitySpring during the financial year have been disclosed in paragraph 14 above;
- the expenses payable to the Trustee-Manager out of trust property are appropriate and in accordance with the trust deed dated 5 January 2007 and regular internal reviews are carried out to ensure that such expenses payable are in order. Fees and expenses charged to CitySpring by the Trustee-Manager out of the trust property are disclosed in Note 9 of the financial statements; and
- the Trustee-Manager has engaged the services of and obtained advice from professional advisers and consultants from time to time particularly in relation to acquisitions and capital raising to ensure compliance with the requirements of the BTA and the Listing Manual.