

# CORPORATE GOVERNANCE

“Perennial’s firm commitment in adopting and complying with best practices of corporate governance is essential to the long-term sustainability of the Group’s businesses and performance. Perennial will continue to take steps to ensure its compliance with recommended best practices.”

– Mr Kuok Khoon Hong, Board Chairman

Perennial Real Estate Holdings Limited (the “Company”, and together with its subsidiaries, “Perennial” or “Group”) has developed its corporate governance framework and structure which is approved by the Board Of Directors (“Board”).

## CORPORATE GOVERNANCE FRAMEWORK

BOARD OF DIRECTORS				
<b>Seven Directors</b> Chairman – Mr Kuok Khoon Hong (Non-Independent Non-Executive Director) Vice-Chairman – Mr Ron Sim (Non-Independent Non-Executive Director)				
Audit and Risk Committee (“ARC”)	Nomination Committee (“NC”)	Remuneration Committee (“RC”)	Corporate Disclosure Committee (“CDC”)	Executive Committee (“EC”)
<b>Chairman:</b> Mr Ooi Eng Peng <b>Members:</b> Mr Eugene Lai Mr Lee Suan Hiang Mr Chua Phuay Hee All members, including the ARC Chairman, are independent non-executive Directors <b>Key Objective:</b> Assist the Board to discharge its responsibilities relating to financial and accounting matters, internal controls, risk management and compliance	<b>Chairman:</b> Mr Lee Suan Hiang <b>Members:</b> Mr Ron Sim Mr Eugene Lai All members are non-executive Directors 2 out of 3 members, including the NC Chairman, are independent Directors Mr Eugene Lai, being the Lead Independent Director, is one of the independent members of the NC <b>Key Objective:</b> Recommend appointment, re-appointment and retirement of Directors, review board profile and corporate governance practices, evaluate Board and Directors’ performance, assess Directors’ independence	<b>Chairman:</b> Mr Eugene Lai <b>Members:</b> Mr Kuok Khoon Hong Mr Lee Suan Hiang All members are non-executive Directors 2 out of 3 members, including the RC Chairman, are independent Directors <b>Key Objective:</b> Oversee the remuneration of the Board and Key Management Personnel and set appropriate remuneration framework and policies	<b>Members:</b> Mr Ooi Eng Peng Mr Pua Seck Guan Mr Ooi Eng Peng is the ARC Chairman, an independent non-executive Director Mr Pua Seck Guan is the CEO, an executive Director <b>Key Objective:</b> Review the promptness and adequacy of disclosures and to approve the public release of material information	<b>Chairman:</b> Mr Kuok Khoon Hong <b>Members:</b> Mr Ron Sim Mr Pua Seck Guan All members are non-independent Directors <b>Key Objective:</b> Assist the Board in the approval of key strategic decisions

This report sets out Perennial’s corporate governance practices for the financial year ended 31 December 2017 with reference to the principles and guidelines of the Code of Corporate Governance 2012 (the “Code”) issued in May 2012, which forms part of Perennial’s continuing obligations under the Listing Rules of Singapore Exchange Securities Trading Limited (“SGX-ST”). Perennial has complied with the Code in all material respects. To the extent that there are deviations, explanations have been provided in the report and alternative practices have been adopted by the Company.

## THE BOARD’S CONDUCT OF AFFAIRS

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

### Role of the Board

The Board is collectively responsible for the long-term success of Perennial to protect and enhance shareholder value. All Directors have collectively and individually exercised due diligence and independent judgement in dealing with the business affairs of the Group, obliged to act in good faith, make decisions objectively and act in the best interest of the Company.

### The principal duties of the Board are to:

- Provide leadership and guidance to the formulation of the Group’s overall strategic business plans and direction
- Oversee the Group’s overall performance objectives, key operational initiatives and major business decisions
- Assume responsibility for corporate governance and ensure the adequacy of internal control and risk management frameworks and standards, including ethical standards
- Review performance of the management team (“Management”) and approve remuneration matters
- Provide guidance on sustainability issues such as environmental, social and governance factors, as part of the Group’s overall business strategy

To assist the Board in discharging its duties and responsibilities, the Board has delegated special authorities to the Board Committees, namely the ARC, NC, RC, CDC and EC. Each of the Board Committees has been constituted with clear written terms of reference approved by the Board and may decide on matters within its terms of reference and applicable limits of

authority. The terms of reference of the respective Board Committees are made available through Perennial’s corporate website (<http://www.perennialrealestate.com.sg>). All the terms of reference are reviewed and updated when necessary to ensure their continued relevance. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rest with the Board as a whole.

The Board Committees are structured to comprise Directors with appropriate qualifications and skills and to achieve an equitable distribution of responsibilities among Board members so as to foster active participation and contributions among the Directors, thereby maximising the effectiveness of the Board members.

### Meetings and Attendance

The Board and Board Committees meet regularly for the purpose of reviewing the financial performance and approving the release of financial results, deliberating and approving key business strategies and investments as well as reviewing remuneration matters and governance issues. The dates of the Board meetings, the Board Committee meetings and Annual General Meeting of the Company (“AGM”) are scheduled at least one year in advance and all Board members are notified accordingly. The Company Secretary consults every Director before fixing the dates of these meetings so as to ensure optimal attendance and participation from the Directors. The Company’s Constitution allows the Board meetings to be conducted via telephone conference, video conference or other means of similar communication. Directors, who are unable to be physically present at any Board meeting, will be able to participate in the meeting via such means. In between scheduled meetings, matters that require the Board’s or the Board Committee’s approval are circulated via email to the Directors for their consideration and decision.

Ad-hoc Board meetings are convened as and when necessary to consider other specific matters or as warranted by particular circumstances. As part of Perennial’s corporate governance practice, all Directors are also invited to attend the Board Committee meetings. Records of all Board and Board Committee meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary and circulated to all Directors to keep them updated.

Should a Director be unable to attend a Board or Board Committee meeting, he will still receive the materials that were tabled for discussion and have the opportunity to separately convey any views to the Chairman for consideration or further discussion with other Directors. If necessary, a separate session may be organised for the Management to brief that Director and obtain his comments and/or approval.

## CORPORATE GOVERNANCE

For the financial year ended 31 December 2017, the number of Board and Board Committee meetings held and the Directors' attendance thereat is set out below:

Name of Directors	Board Meeting	ARC Meeting	NC Meeting	RC Meeting
Mr Kuok Khoon Hong	4	N/A	N/A	2
Mr Ron Sim	4	N/A	1	N/A
Mr Eugene Lai	4	4	1	2
Mr Ooi Eng Peng	4	4	N/A	N/A
Mr Lee Suan Hiang	4	4	1	2
Mr Chua Phuay Hee	4	4	N/A	N/A
Mr Pua Seck Guan	4	N/A	N/A	N/A
<b>Total number of meetings held in the financial year</b>	<b>4</b>	<b>4</b>	<b>1</b>	<b>2</b>

Perennial has established internal guidelines setting forth matters that require the Board's approval, including business strategies and proposals, investment acquisitions and disposals, borrowings and financing arrangements, budgets, project development and capital and operating expenditures. These internal guidelines are set out in the Financial Authority Limits, which provide Perennial with clear guidelines on the approval for all financial matters and ensure that appropriate controls and decision-making are consistently applied throughout the Group. The Financial Authority Limits undergo reviews and updates to ensure operational relevancy with respect to the changing needs within the Company and the Group as a whole. The Board approves the Financial Authority Limits and any changes thereof.

Apart from matters that specifically require the Board's approval, the Board has delegated its authority to approve transactions below certain threshold limits to the Board Committees and the Management. Approval sub-limits are also provided at the Management levels to facilitate operational efficiency.

Any Director who has or appears to have a direct/indirect interest that may conflict with a subject under discussion by the Board shall declare his interest and recuse himself from the information flow and discussion of the subject-matter. He will also abstain from any decision-making on the subject-matter.

### Board Orientation and Training

All newly-appointed Directors receive letters of appointment explaining their roles, duties and obligations as a director of the Company. The Company conducts orientation and induction programmes for new Directors, which include comprehensive briefings on Board structure and responsibilities, corporate governance practices, strategic business plans and direction, organisation structure, business activities and financial performance of Perennial. New Directors will also be briefed on their duties and statutory obligations as a Director of the Company. Site visits are also organised for the Directors to familiarise themselves with Perennial's assets and to better understand its business operations. This also allows new Directors to get acquainted with Management, thereby facilitating Board interaction and access to the latter.

If first-time Directors are appointed, the Company will provide training in areas such as accounting, legal and industry-specific knowledge as appropriate. The Board values ongoing professional development for all the Directors. Following their appointment,

the Company ensures that Directors are provided with opportunities for continual professional development in areas such as directors' duties and responsibilities, changes to relevant laws, regulations and accounting standards, and industry-related matters, so as to keep them updated on regulatory requirements and on matters that may affect or enhance their performance as Directors or Board Committee members.

The Board as a whole is updated regularly on risk management, corporate governance, industry-specific knowledge and key changes in the relevant regulatory requirements and financial reporting standards so as to enable each Director to properly discharge their duties as Board or Board Committee members.

All training and seminars attended by the Directors are arranged and funded by Perennial. These are done through specially convened sessions, including training sessions and seminars conducted by external professionals. Perennial's external auditors, KPMG LLP ("KPMG"), update the ARC and the Board on new and revised financial reporting standards relevant to Perennial while Ernst & Young Advisory Pte Ltd, Perennial's internal auditors, also update the ARC and the Board on regulatory changes regarding risk and governance issues.

During the year, members of the ARC attended a seminar organised by the Accounting and Corporate Regulatory Authority ("ACRA"), SGX and Singapore Institute of Directors. The seminar brought together regulators and industry experts to share the latest developments in the financial reporting landscape, regulatory compliance and ACRA's Financial Reporting Surveillance Programme.

### BOARD COMPOSITION AND GUIDANCE

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

#### Board Composition and Diversity

The Board comprises Directors who are business leaders and professionals with strong experience relevant to Perennial's businesses, ranging from real estate, healthcare-related, banking, finance, investment to legal sectors. In addition, the Directors' combined work experience spans the areas of risk management,

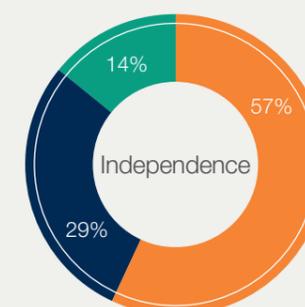
strategic planning and business development. The varied backgrounds of the Directors enable Management to benefit from their external, diverse and objective perspectives on issues brought before the Board for its deliberation. All key information on the Directors is set out on pages 24 to 27 of this report.

Best efforts have been made to ensure that in addition to contributing their valuable expertise and insight to Board deliberations, each Director also brings to the Board an independent and objective

perspective to enable balanced and well-considered decisions to be made by the Board. All Directors are encouraged to participate actively in the development of Perennial's strategic plans and operations, and in the performance review of the Management and the Group. No individual or small group of individuals dominates the Board's decision-making process. Non-executive Directors also confer among themselves without the presence of Management as and when the need arises.

### Key Features of our Board

- Strong and independent element on the Board
- More than half of the Board consist of independent Directors
- Separation of the roles of Board Chairman and CEO
- None of the Directors has served on the Board for more than 9 years
- Other than the CEO, no other Director is a former or current employee of Perennial
- External professionals have provided training for the Directors



■ Independent Non-Executive Director  
■ Non-Independent Non-Executive Director  
■ Executive Director/CEO



■ Age 50 - 54  
■ Age 55 - 59  
■ Age 60 - 64  
■ Age 65 - 69

The Board, through the NC, reviews the size and composition of the Board annually. The NC seeks to ensure that the Board size is appropriate in facilitating effective decision-making, taking into account the scope and nature of Perennial's operations.

In addition, the NC aims to maintain an appropriate balance and diversity of experience, skills, gender, knowledge, perspectives, qualifications and other attributes in the relevant areas among the Directors in order to build an effective and cohesive Board. Any potential conflicts of interest are also taken into consideration.

The NC is of the view that the current size and composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a Group, have the necessary core competencies in finance, business or management experience and industry knowledge to allow for diverse and objective perspectives on Perennial's business strategy and directions. Taking into account the scope and nature of Perennial's operations as well as the requirements of the business, the Board concurs with the NC that the current size and composition of the Board provides for sufficient balance and diversity and at the same time, facilitates effective decision-making at the Board and Board Committees.

The Board is supportive of gender diversity and shares the view that female directors can offer fresh perspective and enhance the

decision-making process. To build on gender diversity as an important attribute of the Board's composition, the Board will consider female candidates for future directorship appointments, especially those in the medical healthcare field, to complement the Board's Core Competencies. However, the Board is also of the view that gender should not be the main selection criteria and that the appointment of a Director should be made based on skills, experience and knowledge.

The NC carries out a proactive review of the Board composition at least annually or as and when an existing non-executive Director indicates his intention to retire or resign. This is to assess the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve Perennial's strategic and operational objectives. In carrying out this assessment, the NC will take into account that the Board composition should reflect balance in matters such as skill representation, tenure, gender, experience, age spread and diversity before making relevant recommendations for appointment or re-election of a Director to the Board.

### Review of Directors' Independence

The NC reviews and evaluates the independence of the Directors on an annual basis. The Board will then, in turn, assess the independence of each Director, taking into account the

recommendations of the NC. When evaluating the independence of the Directors, the Board follows the guidance in the Code, where an independent director is defined as one who has no relationship with Perennial, its related corporations, its shareholders with shareholdings of 10% or more voting shares in Perennial or its officers that could interfere, or reasonably perceived to interfere, with the exercise of a director's independent business judgement with a view to the best interests of the Group.

Annually, each Director is required to submit his declaration of independence by completing the Director's Independence Checklist ("**Checklist**"). The Checklist is based on the Code's definition of an "independent director" and guidance as to the existence of relationships which would deem a Director as not independent. Newly-appointed Directors are also requested to complete the Checklist to confirm their independence. In addition, Directors are required to immediately report to the Company on any changes in their external appointments, interests in shares and other pertinent information (including any corporate developments relating to their external appointments) which may affect their independence. The NC and Board also examine different relationships identified by the Code that might impair a Director's independence and objectivity.

For the financial year ended 31 December 2017, all Directors have completed their Checklist which has been evaluated by the NC and Board to determine their independence. The NC has affirmed that with the exception of Mr Kuok Khoon Hong, Mr Ron Sim and Mr Pua Seck Guan, the rest of the Directors – Mr Eugene Lai, Mr Ooi Eng Peng, Mr Lee Suan Hiang and Mr Chua Phuay Hee – are independent. The Board concurred with the NC's assessment of the independence of the relevant Directors. None of the Directors have served more than nine years on the Board.

Mr Kuok Khoon Hong, who holds an effective interest of 35.67% in the Company, is deemed a non-independent Director. Similarly, Mr Ron Sim, who holds an effective interest of 15.42% in the Company, is deemed to be non-independent. Mr Pua Seck Guan is deemed to be a non-independent executive Director, as he is

Chief Executive Officer ("**CEO**") of the Company and holds an effective interest of 10.3% in the Company. However, both Mr Kuok Khoon Hong and Mr Ron Sim are considered to be independent of management and business relationships with the Company<sup>1</sup>.

The Board and the Management appreciates an effective and robust board whose members engage in open and constructive discussions and challenge the Management on its assumptions and proposals. A board should also aid in the development of strategic proposals and oversee the effective implementation by Management.

Independent Directors also meet without the presence of the Management on a need-to basis to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the executive Director.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

The Chairman and CEO of the Company are separate persons and they are not immediate family members. The roles of the Chairman and the CEO are deliberately kept distinct through a clear division of responsibilities to ensure effective oversight, appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The current Chairman is Mr Kuok Khoon Hong and he is responsible for providing Perennial with strong leadership and leading the Board in discharging its duties effectively. He also ensures effective functioning of the Board on all aspects of its role. He facilitates the relationship and information flow within and between the Board, CEO and the Management, sets the agendas

for Board meeting with inputs from the Management, ensures sufficient allocation of time for thorough discussion of each agenda item at Board meetings, and engages the Board and Management in effective discussions. The Chairman also promotes an open environment for deliberation and ensures that the Board meetings are conducted objectively and professionally, where all views are heard and debated in a fair and open manner. At the same time, the Chairman also monitors follow-up to the Board's decisions and ensures that such decisions are translated into executive actions.

In addition, the Chairman works with the Board, the Board Committees and the Management to establish the Group's risk limits and to promote a high standard of integrity and corporate governance. He also acts as a sounding board for the CEO and provides leadership, guidance and advice to Management, particularly with regard to Perennial's growth strategy and developments. At AGMs and other Shareholders' meetings, he plays a pivotal role in fostering constructive dialogue between Shareholders, the Board and Management.

The CEO, assisted by the Management team, makes strategic proposals to the Board and after robust Board discussions, executes the agreed strategies and policies, manages and develops Group's businesses and implements the Board's decisions. The current CEO is Mr Pua Seck Guan and his primary role includes effectively managing and supervising day-to-day business operations, reporting to the Board on all aspects of operations and performance, cultivating good relationships and ensuring effective communication with all stakeholders.

Taking cognisance of the Chairman's non-independence, the Board has appointed Mr Eugene Lai as the Lead Independent Director to serve as an intermediary between the independent Directors and the Chairman. He is also the Chairman of the RC and a member of the ARC and NC.

The Lead Independent Director acts as a counter-check on Management issues in the decision-making process and avails himself to address Shareholders' concerns for which contact through normal channels to the Chairman or Management has failed to resolve or is inappropriate. He also works closely with the independent Directors, and when necessary, meets them without the presence of the Chairman or the Management to discuss matters that were deliberated during the Board meetings and on such occasions as deemed appropriate. The feedback which the Lead Independent Director obtained during such meetings is communicated to the Chairman.

Through the establishment of various Board Committees with power and authority to perform key functions beyond the authority of, or without the undue influence from, the Chairman or the Vice-Chairman, and the establishment of internal controls to allow effective oversight of Perennial's businesses by the Board, the Board is of the view that the decision-making process is objective and transparent, and decisions are made in the best interests of Perennial and its Shareholders.

## BOARD MEMBERSHIP

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

### Key terms of reference of the NC:

- Approve the appointment of CEO and other key management personnel
- Review succession plans for Directors and key management personnel within the Company
- Review the effectiveness of the Board and the Board Committees and evaluate the performance and contribution of the Directors
- Review and recommend candidates for appointment to the Board and Board Committees
- Review the training and development of the Board, key management personnel and talented executives within the Company
- Review and recommend nomination for re-appointment or re-election or renewal of appointment of the Director
- Determine if a Director is independent
- Assess each Director's contribution and performance
- Recommend to the Board objective performance criteria for the purpose of evaluating the Board's performance as a whole and to implement performance evaluation established by the Board
- Evaluate the Board's performance as a whole

### Appointment and Re-appointment of Directors

In reviewing the succession plans for the Board, the NC has put in place a formal and transparent process for the renewal of the Board and the selection of new Directors. At least annually or on each occasion where an existing non-executive Director indicates his intention to retire or resign, the NC reviews the size, composition, gender, skill mix and competencies of the Board members to take stock of the expertise within the Board, and to identify the Board's current and future needs, taking into consideration the growth and the evolving business requirements of Perennial. The NC considers, inter alia, the knowledge, experience and attributes of the existing Directors, the retirement and re-election of Directors, each Director's performance and contributions, and whether new competencies are required to enhance the Board's effectiveness.

In the light of such review and in consultation with Chairman of the Board, the NC assesses if there is any inadequate representation in respect of any of those attributes. When the need to appoint a new Director arises, either to strengthen the Board or to replace a retiring Director, the NC will establish the profile required for the role and the desirable competencies for the particular appointment in order for the Board to have an appropriate mix of core competencies to fulfil its roles and responsibilities.

<sup>1</sup> In its determination on whether a director is considered to be independent of management and business relationships with the Company, the NC and the Board took into account the following criteria:

- A director shall not be considered to be independent from management relationships with the Company or with any of its subsidiaries if –
  - he is employed by the Company or by any of its subsidiaries, or has been so employed, at any time during the current financial year or any of the preceding 3 financial years of the Company;
  - any member of his immediate family –
    - is being employed by the Company or by any of its subsidiaries as an executive officer whose compensation is determined by the board of directors of the Company or the subsidiary, as the case may be; or
    - has been so employed at any time during the current financial year or any of the preceding 3 financial years of the Company; or
  - he is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the management of the Company or any of its subsidiaries;
- A director shall not be considered to be independent from business relationships with the Company or with any of its related corporations, or with any officer of the company or any of its related corporations, if –
  - he is a substantial shareholder, a director or an executive officer of any corporation, or a sole proprietor or partner of any firm, where such corporation, sole proprietorship or firm carries on business for purposes of profit to which the Company or any of its related corporations has made, or from which the Company or any of its related corporations has received, payments at any time during the current or immediately preceding financial year of the Company; or
  - he is receiving or has received compensation from the Company or any of its related corporations, other than remuneration received for his service as a director or as an employee of the Company or any of its related corporations, at any time during the current or immediately preceding financial year of the Company.

## CORPORATE GOVERNANCE

The search for potential candidates to be appointed to the Board is conducted through contacts of and recommendations from the Directors and Management. If the need arises, external consultants may also be engaged to access a wider base of potential candidates. The NC will shortlist and interview potential candidates to assess his or her suitability and ensure that the candidate is aware of the expectations and the level of commitment required as a Director. The NC also considers whether the potential candidate is able to commit sufficient time and effort to effectively carry out the responsibilities of a Director. The NC then recommends the most suitable candidate to the Board for appointment as a Director.

The criteria and guidelines for appointment of new Directors are broadly set out as follows:

<b>Background</b>	<ul style="list-style-type: none"> <li>Possess good reputation as persons of integrity</li> </ul>
<b>Experience</b>	<ul style="list-style-type: none"> <li>Have core competencies to meet the current or foreseeable needs of Perennial</li> <li>Complement the skills and competencies of the existing Directors</li> <li>Have the necessary qualifications and varied experience</li> <li>Preferably have experience in acting as a director of a listed company</li> </ul>
<b>Independence</b>	<ul style="list-style-type: none"> <li>Be impartial, objective and independent</li> <li>Have the courage to voice their independent opinions free from the influence or pressure of other Directors or the Management</li> </ul>

Procedures and control mechanisms are also in place to ensure that independence of the Directors is actively monitored. Please refer to pages 113 to 114 on Board Independence.

With respect to the annual retirement by rotation and re-election of Directors, the NC reviews the composition of the Board and the needs of the Company at the relevant time as well as the Director's performance, attendance, contributions, preparedness and competing time commitments, before making the relevant recommendations to the Board for subsequent Shareholders' approval at the AGM. Each member of the NC will recuse himself from deliberations of his own re-election.

Pursuant to the Company's Constitution, one-third (or, if the number is not a multiple of three, the number nearest to but not greater than one-third) of the Board of Directors, including the CEO who also sits on the Board, are required to retire and are subject to re-election at every AGM of the Company ("**One-third Retirement Rule**"). Retiring Directors are selected on the basis of those who have been longest in office since their last

appointment or re-election, and as between those persons who became Directors on the same day, they will be selected by agreement or by lot. A newly-appointed Director must also subject himself for retirement and re-election at the AGM immediately following his appointment. Thereafter he is subject to the One-third Retirement Rule. The role of the CEO is separate from his position as a Board member, and does not affect the ability of Shareholders to exercise their right to appoint all of the Board members.

At the forthcoming AGM, the Directors standing for re-election are Mr Lee Suan Hiang and Mr Ron Sim. Mr Lee Suan Hiang is a non-executive independent Director of the Company, Chairman of the NC and also a member of the ARC and RC. Mr Ron Sim is currently Vice-Chairman, non-independent non-executive Director of the Company and he is also a member of both the NC and EC. Both Directors have indicated their willingness to stand for re-election. The NC has nominated and recommended to the Board their re-election at the forthcoming AGM, and the Board has endorsed the recommendation.

The Board does not encourage the appointment of alternate Directors. No alternate Director has been or is currently being appointed to the Board.

### Review of Directors' Time Commitments

Perennial believes that Directors who sit on multiple boards will bring with them a wide range of experience and broad knowledge of business best practices and strategies to provide invaluable leadership contributions for the long-term success of Perennial. The Board is of the opinion that the maximum number of listed company board representation should be based on the capacity and circumstances of each individual Director instead of prescribing a numerical limit. The NC monitors and determines annually whether a Director, who has multiple board representations and other principal commitments, has sufficient time to adequately carry out his duties as a Director of Perennial by taking into account the participation, effectiveness, contributions and the actual conduct of the individual Director.

In the financial year, the NC recognises that the Directors have effectively discharged their duties as Director of the Company in their commitments, contributions and oversight of Perennial, taking into consideration their board representations in other listed companies and their principal commitments. The NC also noted that based on the attendance and participation at the Board and Board Committee meetings held in the financial year, all Directors were able to actively engage in and contribute to such meetings to carry out their duties. The NC was therefore satisfied that for the financial year, where a Director had other listed company board representations and/or other principal commitments, each of such Director has given sufficient time and attention to the affairs of the Group and has been able to discharge his duties as a Director effectively.

## BOARD PERFORMANCE

**Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

### Board Evaluation Process and Performance Criteria

The NC seeks to ensure that Directors appointed to the Board and Board Committees, whether individually or collectively, possess the background, experience, business knowledge, financial literacy and management skills critical to the Group's businesses. The NC aims to have each Director bring to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

Each year, in consultation with the NC, the Board assesses its performance to determine if it is performing effectively as well as to identify key areas for improvement. The Company has in place a formal process to evaluate the effectiveness and performance of the Board, the Board Committees and the individual Directors. The performance evaluation criteria adopted were recommended by the NC and approved by the Board. The evaluations are done by way of each Director completing various questionnaires which seek their views on the different aspects of performance by the Board, the Board Committees and the individual Directors, and on areas of improvement to increase the effectiveness of the Board and Board Committees.

To assess the Board's performance, each Director is required to complete an evaluation on various criteria, which include the effectiveness of the Board and Board Committees, adequacy of the blend of skillsets and expertise on the Board, and relevance and timeliness of the Board and Board Committees' meeting agendas and papers. The assessment also considers factors such as the size and composition of the Board and Board Committees, Board processes, the Board and Board Committees' roles as well as communication within the Board and with Management. The assessment results and feedback are consolidated by the Company Secretary for analysis by the NC. The NC evaluates the assessment results and feedback, and deliberates on the areas of strengths and weaknesses to improve the effectiveness of the Board and the Board Committees.

The criteria taken into consideration to evaluate the performance and contributions of each individual Director include the Director's level of understanding of Perennial's business environment, degree of preparedness, level of participation, attendance at Board and Board Committee meetings, the Director's expertise and experience, fairness and impartiality in discussions, effectiveness in highlighting potential issues and challenging Management where necessary. Contributions by an individual Director can also take other forms, including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management beyond formal meetings.

The completed questionnaires are then consolidated, reviewed and presented to the NC. Results of such performance evaluation of individual Directors are also used by the NC in appropriate circumstances, such as during the review of board composition and to support the appointment of new Directors or the re-election of retiring Directors. When evaluating the performance of a Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The individual Director evaluation exercise assists the NC in determining whether to re-nominate Directors who are due for retirement at the forthcoming AGM and in determining whether Directors with multiple board representations are able to adequately discharge their duties as directors of the Company. The replacement of a director, is not necessarily a reflection of the director's performance or level of contribution, but may rather be driven by the need to align the Board to the medium or long-term needs of Perennial.

For the financial year ended 31 December 2017, questionnaires which assessed the effectiveness of the Board, the Board Committees and the individual Directors were completed by all the Directors. The results of the assessment indicated that the Board and Board Committees have functioned effectively and the contributions of individual Directors were satisfactory.

## ACCESS TO INFORMATION

**Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

### Access to Complete, Adequate and Timely Information

All Directors are given sufficient time to prepare for the Board and the Board Committee meetings. To make informed decisions, the Management provides the Directors with complete, accurate, timely and detailed information, including background information, copies of disclosure documents, financial statements and other materials that are relevant to the agendas of these meetings. In general, such information is provided at least five days prior to the date of the relevant meeting. Draft agendas for Board and Board Committee meetings are circulated in advance to the Chairman and respective Chairman of the Board Committees for their review and approval. All Directors are invited to attend all the Board Committee meetings to keep themselves informed of the discussions and decisions made in the respective meetings. Accordingly, the reports and papers for the Board Committee meetings are provided to all Directors.

At each ARC and Board meeting, the CEO gives a complete and comprehensive update on Perennial's business and operations, significant developments on the Group's business initiatives and industry developments. The Chief Financial Officer ("**CFO**")

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presents financial highlights of Perennial's performance as well as the material events and transactions. The Board is also apprised of risk management updates, regulatory updates and analysis or press commentaries through other presentations by the Management. This allows the Directors to develop a better understanding of the Group's business as well as the issues and challenges faced by the Group.

In addition to briefings by the CEO and CFO at every ARC and Board meeting, when necessary, Management, auditors and external advisers engaged by Perennial also attend the Board and the Board Committee meetings to present key topics identified by the Board, provide insights into matters being discussed and respond to any questions that the Directors may have. All requests for additional information from the Directors are also dealt with promptly by the Management.

The Directors also receive operational and financial reports regarding the performance of Perennial. These reports include key financial indicators, variance analysis, property updates and strategic or business highlights. Additionally, informal briefings are conducted by Management to inform the Directors about potential business opportunities and developments at an early stage before formal Board approval is sought.

The Directors have separate, independent and unrestricted access to the CEO, the Management, Company Secretary and internal and external auditors at all times.

### Company Secretary

Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and Board Committees, as well as between the Management and non-executive Directors.

The Company Secretary assists the Chairman and the Chairman of respective Board Committees in the administration of the Board and various Board Committees meetings. She attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. The Company Secretary is responsible in designing and implementing a framework for Management to comply with the SGX-ST Listing Rules, including advising Management to ensure that material information is disclosed promptly. She also advises the Board on all corporate governance matters and assists to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and continuing professional development for the Directors as required. In addition, the Company Secretary is responsible for ensuring that the Board procedures are observed and that relevant rules and regulations, including requirements of the Companies Act, the Securities and Futures Act and the SGX-ST Listing Rules are complied with. The Company Secretary also liaises on behalf of Perennial with the SGX-ST, ACRA and when necessary, the Shareholders. The appointment and the removal of the Company Secretary are subject to the Board's approval.

### Independent Professional Advice

When the Board, whether as individual Director or as a Group, requires independent professional advice in the furtherance of their duties, the Company Secretary will assist in appointing a professional advisor to render the advice and keep the Board informed of such advice. The cost of obtaining such professional advice will be at the expense of the Company.

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

### Key terms of reference of the RC:

- Review and recommend the remuneration framework for the Board and key management personnel
- Review and recommend the remuneration packages for each Director as well as the key management personnel
- Consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each key management personnel having regard to the executive remuneration policy within the Company
- Consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to key management personnel
- Review the ongoing appropriateness and relevance of executive remuneration policy and other benefit programmes
- Review and approve the design of all option plans, stock plans and/or other equity based plans
- Determine each year whether awards will be made under each of the equity plans
- Review and approve each award as well as the total proposed awards under each plan in accordance to the rules governing each plan
- Review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles for each of the equity based plans

The primary function of the RC is to ensure a formal and transparent process in developing remuneration policy and in determining the remuneration packages of individual Director and key management personnel. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefit-in-kinds and specific remuneration packages for each Director. The RC aims to build a capable and committed management team, through competitive compensation packages and progressive policies which are aligned with the long-term interests and risk policies of Perennial

and which can attract, retain and motivate a pool of talented employees to drive business growth and strategy while creating long-term shareholder value.

The RC also reviews the Company's obligations arising from the termination of the employment contracts of the executive Director and key management personnel. The RC is of the view that the termination clauses are fair and reasonable as such contracts only contain the standard clause on notice period for termination. In the deliberation of remuneration matters, none of the RC members are involved in deciding any remuneration, compensation, share-based incentives or any form of benefits to be granted to himself.

In discharging their duties, the RC may seek advice from Human Resource Department of Perennial ("HR") and external consultants, whenever necessary.

As part of Perennial's formal succession planning, HR assists in identifying the critical positions at both the executive and management level within Perennial. HR will determine the requirements and the gaps of these positions before mapping succession to the pipeline of internal high potential executive talents identified. Recognising the need to groom internal talent, HR designs and implements training plans to nurture staff capabilities, which include on-the-job assignments, job rotations, international assignments and internal promotions. HR also regularly reviews and surveys the practices of other corporations, so that best practices suited to Perennial's culture, structure and strategy can be adopted.

## LEVEL AND MIX OF REMUNERATION, DISCLOSURE ON REMUNERATION

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

**Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

### Remuneration for Non-Executive Directors

The non-executive Directors receive their Directors' fees in accordance with their various levels of contributions, taking into account factors such as their responsibilities, effort and time spent for serving on the Board and the Board Committees. Their remuneration package consists of basic retainer fees as a Director as well as additional fees for serving on the Board Committees. A larger fee is accorded to the Chairman of each

Board Committee in view of the greater responsibility. The Lead Independent Director also receives an additional fee which reflects his expanded responsibility.

There is no change to the annual fee structure for the Board for the financial year ended 31 December 2017 as compared to the preceding financial period. As per previous years, the non-executive Directors do not receive any salary and their remuneration does not include any variable components.

The fee structure for non-executive Directors for the financial year ended 31 December 2017 is as follows:

Fee Structure	S\$
<b>Basic Retainer Fee</b>	
Director	50,000
<b>Audit and Risk Committee</b>	
Chairman	25,000
Member	15,000
<b>Remuneration Committee</b>	
Chairman	10,000
Member	5,000
<b>Nomination Committee</b>	
Chairman	10,000
Member	5,000
<b>Lead Independent Director</b>	10,000

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The details of remuneration for the Directors and CEO for the financial year ended 31 December 2017 are provided in the table below.

Directors of the Company	Salary inclusive of Annual Wage Supplement and employer's CPF S\$'000	Bonus and other benefits inclusive of employer's CPF S\$'000	Stock options granted and other share-based incentives and awards S\$'000	Director's Fees S\$'000	Total S\$'000
<b>Executive Director</b>					
Mr Pua Seck Guan	487	1,005	338	-	1,830
<b>Non-Executive Directors</b>					
Mr Kuok Khoo Hong	-	-	-	55	55
Mr Ron Sim	-	-	-	55	55
Mr Eugene Lai	-	-	38	90	128
Mr Ooi Eng Peng	-	-	-	75	75
Mr Lee Suan Hiang	-	-	38	80	118
Mr Chua Phuay Hee	-	-	38	65	103

For Directors' shareholdings, please refer to pages 152 to 155.

The RC ensures that the non-executive Directors are not over-compensated to the extent that their independence may be compromised. Mr Pua Seck Guan, being the executive Director and CEO of the Company, does not receive any Director's fees but he is remunerated for his role as a member of the Management. For the financial year ended 31 December 2017, the Company has issued one million share options to each independent non-executive Director. The aggregate Directors' fees for non-executive Directors are subject to Shareholders' approval at the forthcoming AGM.

For the financial year ended 31 December 2017, Perennial did not appoint any external remuneration consultants to advise on the remuneration of the Directors.

### Remuneration for Executive Director and Key Management Personnel

The Company advocates a remuneration system that is flexible and responsive to market conditions as well as a remuneration framework that is based on the key principle of aligning compensation to business performance and strategic objectives. Such performance-centric remuneration is linked to the achievement of corporate and individual performance targets, both in terms of short and long-term quantifiable objectives, as well as to support the ongoing enhancement of shareholder value.

In designing the remuneration structure, the RC seeks to ensure that the level and mix of remuneration is competitive and relevant in attracting, motivating and retaining the employees. The RC also exercises independent judgment in ensuring that the remuneration structure is aligned with the interests of Shareholders and promote long-term success and sustainable growth of Perennial.

The balance between fixed and variable compensation elements changes according to the individual employee's performance, rank and department, so as to incentivise employees into adopting appropriate risk behaviours and remaining focused on prudent risk management. The RC considers the mix of fixed and variable compensation to be appropriate for Perennial and for each individual role.

The remuneration structure also takes into account Perennial's risk policies and risk tolerance limits as well as the time horizon of risks, in order to build a sustainable leadership team and business in the long-term. The RC is satisfied that there are adequate risk mitigation features in the Company's remuneration structure, such as prudent funding of annual cash compensation and the vesting feature in Perennial Employee Share Option Scheme 2014 ("Perennial ESOS 2014"). The RC is also of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to Perennial's risk profile. The RC also has the discretion not to award incentive in any year if an executive is involved in misconduct or fraud resulting in financial loss to Perennial. The RC will continue to undertake periodic reviews of compensation-related risks.

In determining the remuneration of key management personnel, the Company leveraged on external consultants' data on pay benchmarks as guidance and compares itself against peer companies and comparably-sized local listed companies with which the Company competes for talent and capital. The RC is of the view that the remuneration of key management personnel is competitive and fair and they have met the performance targets.

The key remuneration components for key management personnel are summarised below:



The remuneration mix for key management personnel comprises four key components: fixed compensation, variable cash compensation, share-based compensation and market-related benefits. This mix of various fixed and variable compensation elements ensure a close linkage between total compensation and the achievement of long term business objectives, thereby driving sustainable performance for Perennial.

#### (a) Fixed Compensation

The fixed component comprises the base salary and compulsory employer contribution to an employee's Central Provident Fund ("CPF") account. The fixed component is determined by benchmarking against similar and comparable industries, taking into account an individual's responsibilities, competencies, performance, qualifications and experience.

#### (b) Variable Cash Compensation

The variable cash compensation is designed to support Perennial's business strategy and the ongoing creation of shareholder value through the delivery of annual financial and operational objectives. It includes an annual performance incentive that is linked to the achievement of short-term pre-agreed financial and non-financial performance targets for Perennial and individual employees. Company-wide performance targets are dependent on factors such as business performance, profitability and operational growth. Individual performance targets are set at the beginning of each financial year and are aligned to the overall strategic, financial and operational goals of Perennial.

In determining the payout quantum for employees, the RC takes into account overall business performance and individual performance, amongst other considerations.

#### (c) Share-based Compensation

Share options are incentive plans that are designed to strengthen the pay-for-performance framework which serves to reward and recognise employees' contributions to Perennial's growth and shareholder value in the longer term. Such long-term remuneration is a retention tool and

promotes long-term success of the Company and the Group as a whole.

Perennial ESOS 2014 was established with the objective of motivating employees of managerial level and above to strive for sustained long-term growth and superior performance in Perennial. It also aims to foster a share ownership culture among employees within the Company and better align employees' incentives with Shareholders' interests. The share options scheme involves the grant of Market Price share options which are vested and released over four consecutive years at the rate of 25% for each year. The vesting of the first tranche of any such share options will be on the first anniversary of the Date of Grant. Perennial ESOS 2014 was approved and adopted by Shareholders of the Company on 10 October 2014.

Under Perennial ESOS 2014, share options were granted based on the achievement of corporate and individual performance targets. These performance targets, which are approved by the RC, are chosen as they are the key drivers of shareholder value creation and are aligned to Perennial's business objectives.

In the financial year ended 31 December 2017, 22 million share options were granted under Perennial ESOS 2014. The RC has reviewed and is satisfied that the quantum of performance-related bonuses and the value of share options vested under the Perennial ESOS 2014 was fair and appropriate, taking into account the extent to which their performance conditions were met.

More information on the Perennial ESOS 2014 can be found in the Directors' Statement from pages 154 to 155 and in the Notes to the Financial Statements from pages 197 to 199. For more information on the Directors' shareholding of the Company, please refer to page 152.

#### (d) Market-related Benefits

The employment-related benefits provided are comparable with local market practices.

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Perennial notes that the Code recommends that at least the top five key management personnel's remuneration be disclosed in bands of S\$250,000 and as best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel. After careful consideration, the Board believes that such disclosure would be disadvantageous to Perennial's business interests, taking into consideration the competitive pressures in the talent market especially for personnel with the requisite knowledge, expertise and experience in Perennial's business activities. The Company believes that in view of the competitive human resource environment and to support the Company's effort in attracting and nurturing a sustainable talent pool for smooth continuity

in leadership, it should maintain confidentiality on employee remuneration matters.

For these reasons, the Company is only disclosing the remuneration of the key management personnel in bands of S\$250,000 with a breakdown in percentage terms. The Board is of the opinion that the information disclosed would be sufficient for the Shareholders to have an adequate appreciation of the Company's remuneration policies and practices.

For the financial year ended 31 December 2017, the details of remuneration for the top five key management personnel are set out below:

Name	Salary inclusive of AWS and employer's CPF %	Bonus and other benefits inclusive of employer's CPF %	Stock options granted and other share-based incentives and awards %	Total %
<b>Between S\$750,000 and S\$999,999</b>				
Mr Liak Teng Lit*	71.6	28.4	-	100
<b>Between S\$500,000 and S\$749,999</b>				
Mr Koh Ming Chye, Ivan	56.0	29.2	14.8	100
Ms Gan Chui Chui, Belinda	57.2	27.5	15.3	100
Ms Annie Lee	60.6	24.6	14.8	100
Mr Lim Kong Cheng	49.8	39.1	11.1	100

\* Mr Liak Teng Lit joined on 6 March 2017. Mr Goh Soon Yong left on 5 March 2017 and Dr Wong Weng Hong left on 2 March 2017.

The aggregate remuneration paid to the top five key management personnel of the Company (excluding the CEO) for the financial year was S\$3,460,090.

For the financial year ended 31 December 2017, the Company does not have any employee who is an immediate family member of a Director or the CEO. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent. There were no termination, retirement or post-employment benefits granted to Directors, CEO and any key management personnel. There were also no special retirement plan, "golden parachute" or special severance packages given to the key management personnel.

### ACCOUNTABILITY

**Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.**

Perennial believes that strict compliance with statutory reporting requirements and the adoption of good business practices are imperative to maintain Shareholders' confidence and trust in the Group as well as to deliver sustainable value to Shareholders.

Directors receive operational and financial reports regarding the Group's performance, which include key performance indicators, variance analysis, property updates, strategic and business highlights and key developments to enable them to keep abreast and make a balanced and informed assessment of the Company's performance, financial position and prospects. When necessary, the Management also provides updates to the Board on key business indicators and major issues relevant to the Group's performance.

Shareholders are provided with quarterly and full-year financial results which are approved by the Board. In line with the SGX-ST's requirements, negative assurance statements were issued by the Board to accompany Perennial's quarterly financial results announcements, confirming that to the best of its knowledge, nothing had come to its attention which would render Perennial's quarterly results false or misleading. The Company has also procured undertakings from Directors and key officers under Rule 720(1) of the SGX-ST Listing Rules.

The Board is also updated regularly on relevant changes to rules, regulations and accounting standards so that it can monitor and ensure that Perennial complies with the relevant regulatory requirements.

### RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

The Group recognises the importance of a robust risk management and internal control system to safeguard the assets of Perennial and Shareholders' interests. The Board has overall responsibility for the governance of risk management and internal controls.

Perennial proactively manages risks and embeds the risk management process into all planning and decision-making processes as well as into the day-to-day operations at the Company and Group levels. The Board sets the overall strategic direction, governs the risk management strategy and framework, and determines the risk tolerance limits and risk policies for Perennial. With these in place, the Board oversees the Management in the design, implementation and monitoring of risk management and internal control systems, and ensures that strategies are aligned with the risk tolerance limits as well as any potential emerging risks that Perennial may face.

The Board delegates the responsibility of overseeing Perennial's risk management framework and policies to the ARC. The ARC reviews, at least on an annual basis, the key organisational risks and the robustness of Perennial's risk management and internal control systems, including financial, operational, compliance and information technology ("IT") controls, and reports to the Board any observations and recommendations under its purview as it considers necessary. The ARC recommends risk tolerance limits and other associated risk parameters, as well as determines the nature and extent of significant risks the Board is willing to assume to achieve Perennial's strategic objectives. The ARC also assesses the Group's compliance with the risk management framework to effectively identify, measure, manage and monitor risks.

#### Risk Management

To effectively seize business opportunities, Perennial understands that preparation and planning as well as active management of the accompanying uncertainties are needed. In this regard, Perennial has implemented a comprehensive Enterprise Risk Management ("ERM") framework which identifies key risks and enacts appropriate mitigation plans and actions.

The ERM framework, which is largely derived from ISO 31000 Risk Management – Principles and Guidelines (2009), lays out the governing policies, processes and systems to identify, evaluate and manage risks as well as to facilitate the assessment on the adequacy and effectiveness of the Group's risk management system. The ERM framework is approved by the ARC and the Board, and is reviewed annually to ensure its relevance to Perennial's business environment.

On a quarterly basis, the Management, who is responsible for the implementation of the ERM framework and day-to-day risk management, reports to the ARC on the status of key risks and provides updates on risk management activities undertaken.

At the same time, the ARC and the Board review the key risk indicators and risk dashboard, and discuss the status of risk exposures and risk management action plans.

Perennial also produces and maintains risk registers, which identifies the risks it faces and the corresponding internal controls it has in place to manage or mitigate those risks. The risk profile, risk registers and controls are reviewed by the ARC and reported at least annually to the Board.

For the financial year ended 31 December 2017, the ARC and Board reviewed Perennial's risk management framework, policies and system and are satisfied with the adequacy and effectiveness of the Group's risk management system.

#### Adequate and Effective System of Internal Controls

Supporting the ERM framework (Please refer to page 138 to 143 of this report) is a system of internal controls, comprising Group-wide governance and internal control policies, procedures and guidelines which cover financial, operational, IT and regulatory compliance matters. Such internal control mechanisms include segregation of duties, approval authorities and limits and checks and balances embedded in business processes. Fraud risk management processes and the implementation of policies such as the Whistle-blowing Policy and Employee Code of Conduct also help to clearly establish Management's expectations with regard to employees' business and ethical conduct. This system of internal controls is reviewed for continuous improvement and strengthening.

Internal and external auditors conduct audits that involve testing the adequacy and effectiveness of material internal controls. Such audits provide an independent assessment and assurance on the reliability, adequacy and effectiveness of our system of internal controls, risk management procedures, governance framework and processes. Any material non-compliance or lapses in internal controls, together with corrective measures recommended by internal and external auditors, are reported to the ARC. The adequacy, timeliness and effectiveness of the measures taken by the Management in response to the recommendations made by the internal and external auditors are also reviewed by the ARC. The results of these audits serve to provide the basis for the adequacy of Perennial's internal controls.

For the financial year, the Board has received written assurance from the CEO and CFO that the financial records of Perennial have been properly maintained, the financial statements for the financial year ended 31 December 2017 give a true and fair view of Perennial's operations and financial results, and the internal controls and risk management systems of Perennial are adequate and effective in addressing the financial, operational, compliance and IT risks of the Group in its current business environment.

Based on the ERM framework and internal controls established and maintained by Perennial, work performed by external and internal auditors, and written assurance received from the CEO and CFO, the Board, with the concurrence of the ARC, is of the opinion that Perennial's risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and IT risks which the Group considers relevant and material to its current business scope and environment.

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However, all internal control and risk management systems contain inherent limitations and no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities. Owing to such inherent limitations, the Board notes that the systems of risk management and internal controls established by the Management provide reasonable, but not absolute assurance that Perennial will not be adversely affected by any event that can be reasonably foreseen or anticipated, as it strives to achieve its business objectives. The Board will ensure that should any significant internal control failings or weaknesses arise, necessary remedial actions will be swiftly taken.

### AUDIT AND RISK COMMITTEE

**Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

The ARC comprises four independent non-executive Directors. It is chaired by Mr Ooi Eng Peng and its members are Mr Eugene Lai, Mr Lee Suan Hiang and Mr Chua Phuay Hee. The Board considered all the ARC members to have the appropriate finance and business management knowledge and experience to discharge their responsibilities. The ARC does not have any member who was a former partner or director of the company's external auditors, KPMG, within the last 12 months, or who holds any financial interest in KPMG.

#### Authority and Duties of the ARC

The ARC is guided by its terms of reference which is reviewed when necessary to ensure relevance and compliance with good corporate governance and best practices. In particular, the ARC:

- reviews the quarterly, half-year and full-year results announcements, accompanying press releases, presentation slides and financial statements of the Group, as well as the adequacy and accuracy of information disclosed prior to submission to the Board for approval;
- reviews significant financial reporting issues and key areas of management judgments so as to ensure the integrity of the financial statements of the Group and any announcements relating to Perennial's financial performance;
- reviews and reports to the Board at least annually on the adequacy and effectiveness of Perennial's internal controls, including financial and accounting, operational, compliance and IT controls, and risk management systems;
- reviews the effectiveness and adequacy of internal audit function, the scope and results of the audit reviews, the annual audit plan and the internal audit reports, including the adequacy of internal audit resources and its appropriate standing within Perennial;
- oversees Management's implementation of improvements to internal control systems identified by internal auditors;
- reviews the scope and results of the external audit, the annual audit plans, the audit reports and the independence and objectivity of the external auditors;

- makes recommendations to the Board on the nomination for the appointment, re-appointment and removal of external and internal auditors, and approves the remuneration and terms of engagement of the external and internal auditors;
- monitors Perennial's compliance with laws and regulations, particularly those of the Companies Act and the SGX-ST Listing Rules;
- reviews the Whistle-blowing Policy and arrangements put in place by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up actions; and
- oversees the procedures established to regulate interested person transactions and ensuring the compliance of such transactions with the Listing Rules.

The ARC has reasonable resources to discharge its functions properly, enjoying full access to Management and the explicit authority to investigate any matter within its terms of reference. For all requests made by the ARC, Management is required to fully cooperate in furnishing the relevant information and resources. The ARC also has direct access to the internal and external auditors and has full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the ARC. The ARC is also authorised to engage any firm of accountants, lawyers or other external independent professionals as it sees fit to provide independent advice to assist in the review or investigation of such matters within its terms of reference as it deems appropriate at the expense of Perennial.

The ARC met four times during the financial year ended 31 December 2017 and all other Directors (who are not members of the ARC) were invited to attend the ARC meetings. The CEO, CFO, Company Secretary, internal and external auditors as well as other Management staff attended these ARC meetings. In addition, whenever necessary, other employees of Perennial will be invited to attend the ARC meetings to answer queries and provide detailed insights into their areas of operations. The ARC is provided with all necessary information ahead of the ARC meetings to enable them to make informed decisions. The ARC has also taken active measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements. The external auditors also highlighted changes in accounting standards and issues during their quarterly reviews with the ARC.

#### Key Audit Matters

In the review of financial statements, the ARC has discussed with Management on the accounting policies that were adopted and applied. The ARC also considered the judgments and estimates made by Management that might affect the integrity of the financial statements. The ARC reviewed, amongst other matters, the following key audit matters as reported by the external auditors for the financial year ended 31 December 2017.

Key Audit Matters	How the ARC reviewed these matters
<b>Accounting for Acquisitions</b>	The Group had made some acquisitions during the financial year.  The ARC enquired the accounting treatment, judgement and estimates adopted by Management in relation to the acquisitions and was satisfied that the methodology and estimates used were appropriate.
<b>Valuation of Investment Properties</b>	The Group's investment properties are stated at fair values.  The fair values were based on valuation carried out by external independent valuers. The external independent valuers have adopted valuation techniques which include the discounted cashflows methods, the capitalisation approach and the direct comparison method.  The ARC discussed the valuation with Management at Board meeting, focusing on those with significant movement in fair values. The ARC also considered the reasonableness of the inputs and assumptions used and the methodology adopted by the external independent valuers in deriving the valuations and was satisfied the methodologies used were appropriate and the valuations are within the expected range.
<b>Valuation of Development Properties</b>	The development properties are also valued by external independent valuers.  Management regularly updated the ARC on the latest developments surrounding the sites where the Group's projects are located. For the valuations performed by external independent valuers, the ARC considered the methodologies used and key assumptions used to derive the values and are satisfied with the valuation process and the estimation of net realisable values.
<b>Impairment of Goodwill</b>	Management performed impairment test annually using discounted cashflows method to determine the value in use for the cash generating unit based on certain assumptions and bases.  The ARC reviewed the assumptions and estimates used for the impairment tests and are satisfied that the parameters adopted are appropriate and reasonable.
<b>Classification of Investment Properties</b>	The Group reclassified one of its mixed development projects in China from development property to Investment property under development during the year. The investment property under development is carried at fair value based on valuation by external independent valuer.  The ARC was briefed on the strategic decision to hold the project for long term use instead of strata sale as was originally envisaged when the site was acquired. The ARC reviewed the rationale and bases for the reclassification and was satisfied that due considerations have been taken by Management in the reclassification and the reclassified category is appropriate for the new use of the property.

#### External Auditors

The Company has complied with Rules 712 and 715 read with 716 of the SGX-ST Listing Rules in relation to the appointment of its external auditors. The ARC has also reviewed and is satisfied with the standard of the external auditors' work. Additionally, the ARC undertook a review of the independence of KPMG through reviewing the processes, policies and safeguards adopted by Perennial and KPMG relating to audit independence. Having also reviewed the nature, extent and volume of non-audit services provided to Perennial by KPMG and its affiliates, and the fees paid for such services, the ARC is satisfied that the provision of such services has not prejudiced KPMG's independence and objectivity. As at 31 December 2017, the aggregate fees paid/payable to KPMG were S\$633,388, of which the fees for external audit services and non-audit services were S\$631,063 and S\$2,325

respectively. No former partner or director of KPMG is a member of the ARC.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2018, the ARC has taken into consideration the adequacy of resources, experience and competence of KPMG as well as the quality of audits performed. Satisfied that KPMG has demonstrated appropriate expertise and is adequately resourced and independent of the activities it audits, the ARC and Board have recommended the re-appointment of KPMG as the external auditors at the forthcoming AGM.

During the financial year, the ARC met with the external and internal auditors respectively, without the presence of the Management, to discuss the reasonableness of the financial

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reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. The deliberate absence of the Management at these meetings is designed to provide a forum where auditors can feel free to raise any potential issues encountered in the course of their work without any possibility of influence by the Management.

### Whistle-Blowing Policy

The ARC oversees Perennial's Whistle-blowing Policy, which provides employees and parties who have dealings with Perennial with well-defined procedures and accessible and trusted channels to raise concerns about suspected fraud, corruption, dishonest practices or other probable improprieties in the workplace without fear of reprisals in any form. The Whistle-blowing Policy is intended to provide a trusted avenue for Perennial's employees and other parties to come forward and report such concerns with confidence that it will be independently investigated and appropriate follow-up actions will be taken.

The ARC reviews the Whistle-blowing Policy. The Whistle-blowing Policy and procedures, together with the dedicated whistle-blowing communication channel, are disseminated via email to all employees and also posted on Perennial's corporate website. The secured and protected whistle-blowing communication channel includes a dedicated and independent email account that is only accessible by the ARC. The ARC is guided by the Whistle-blowing Policy to ensure proper and independent conduct of investigations under strict confidentiality, and execution of appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

### INTERNAL AUDIT

**Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

Perennial's internal audit function is outsourced to Ernst & Young Advisory Pte Ltd ("EY"), an international accounting firm. The internal audit function assists the ARC in providing an independent and objective evaluation of the adequacy and effectiveness of the system of internal controls. It also improves and promotes effective and efficient business processes within the Group. EY performs reviews to examine the safeguarding of assets, the timeliness and accuracy in the recording of transactions, the compliance with relevant laws, regulations and policies established by the Group as well as the steps taken by Management to address control deficiencies.

EY reports directly to the ARC Chairman and has unfettered access to all documents, records, properties and personnel in Perennial, including unrestricted access to the ARC, the Board and the Management. EY adopts a risk-based methodology in drawing up Perennial's annual audit plan (the "Audit Plan"). The Audit Plan is planned in consultation with, but independently of, the Management. Key considerations for the Audit Plan include risk exposures, operating concerns and compliance to regulations, policies and procedures. The Audit Plan includes, amongst others, the audit scope, objectives, and resources to be allocated

for the audits. At the beginning of each year, the Audit Plan is submitted to the ARC for review and approval to ensure that the Audit Plan sufficiently covers the audit scope in terms of reviewing the significant risks and internal controls of Perennial. Such significant controls comprise financial, operational, compliance and IT controls.

All internal audit reports, containing identified issues and corrective action plans, are submitted to the ARC and Board for deliberation, with copies of these reports extended to the CEO and relevant Management. At the quarterly ARC and Board meetings, EY also presents a summary of significant issues, recommendations and updates on the corrective actions taken by Management. The ARC has been satisfied that the recommendations made by EY were dealt with by the Management in a timely manner.

The internal audit function is staffed with persons with the relevant qualifications and experience and EY carries out its function according to the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing established by The Institute of Internal Auditors.

The ARC is responsible for approving the hiring, removal, evaluation and compensation of the auditing firm to which the internal audit function is outsourced. For the financial year, the ARC has reviewed and approved the appointment of EY and the fees payable to EY.

On an annual basis, the ARC also undertakes a review to assess the adequacy and effectiveness of the internal audit function. For the financial year, the ARC, having reviewed the Audit Plan, internal audit reports and quality and standard of the internal auditors' work performed for the year, is satisfied that EY is adequately resourced and has appropriate independent standing within Perennial to perform its functions effectively.

### SHAREHOLDER RIGHTS AND RESPONSIBILITIES

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

#### Disclosure of Information on a Timely Basis

Perennial is committed to disclosing material and price-sensitive information in a timely, comprehensive and accurate manner as well as maintaining regular, effective and transparent communication with its Shareholders and analysts, fund managers, media and various stakeholders (together, the "Investment Community").

To uphold these commitments, Perennial has a dedicated investor relations and corporate communications ("IRCC") team that reports to the CEO to effectively execute the Group's IRCC policy which is published on Perennial's corporate website. The IRCC team focuses on facilitating communication with Shareholders and the Investment Community and addressing their queries and concerns in a timely manner. The contact details of the IRCC team are listed on Perennial's corporate website and disclosed in this report to facilitate any queries from Shareholders and the Investment Community.

A dedicated investor relations section on Perennial's corporate website provides Shareholders and the Investment Community with pertinent financial and non-financial information including financial results announcements, presentation slides and press releases, publications such as circulars and annual reports, shares and dividend information, updates on business and operations, and other relevant information.

Perennial treats all Shareholders fairly and equitably. It ensures that Shareholders are sufficiently informed of Perennial's performance or any changes in Perennial or its businesses which are likely to materially affect the share price or value of the Company, by disclosing as much relevant information as possible to Shareholders in a timely, fair and transparent manner via SGXNET and Perennial's corporate website. Quarterly and full-year results are also announced by Perennial within the mandatory period. To ensure a level playing field and provide confidence to Shareholders and the Investment Community, unpublished price sensitive information is not selectively disclosed. In the event that unpublished material is inadvertently disclosed to a select group, an announcement on the same disclosure will be released as promptly as possible to the public via SGXNET.

The Board has delegated authority to the CDC to review the promptness and adequacy of disclosures and to approve the public release of material information relating to Perennial.

#### Establishing and Maintaining Regular Dialogue with Shareholders

Perennial engages Shareholders and the Investment Community to communicate Perennial's strategic business plans and operating performance, share latest corporate and industry developments as well as to gather their views and feedback on a range of strategic and topical issues. Such interactions allow the Management to understand and consider the views and feedback from Shareholders and the Investment Community before formulating its key strategic decisions. In addition to the AGM which is used as the main forum for dialogue with Shareholders and the Investment Community, the CEO and Management also attended investors' conferences and seminars and held dialogue sessions during the financial year. Perennial also engages with Shareholders and the Investment Community through various platforms including phone calls, email communications as well as publication content on Perennial's corporate website.

#### Shareholders Meetings

Perennial fully supports active Shareholders' participation and voting at AGMs and Extraordinary General Meetings ("EGMs") and views such general meetings as important engagement

sessions with Shareholders. All Shareholders are invited to attend, participate effectively in and vote at these general meetings, which are held at centralised locations in Singapore with convenient access to public transport.

Shareholders are informed of the general meetings, together with the relevant rules and voting procedures of such meetings, through notices of general meetings of Shareholders published in the local newspaper, reports or circulars sent to all Shareholders as well as via SGXNET and Perennial's corporate website. In compliance with the Company's Constitution and the prevailing laws and regulations, the Annual Report, Notice of AGM and related information are provided at least 14 days prior to the scheduled AGM to give Shareholders ample time to review the documents. Details and matters that require Shareholders' consideration and approval are clearly documented in the Annual Report or circulars to allow Shareholders to participate and vote effectively at the general meetings. The Notice of AGM, where relevant, may include explanatory notes on each item of special business. The Annual Report is also available to all Shareholders via Perennial's corporate website.

Pursuant to the Constitution of the Company, if any shareholder is unable to attend the meeting, he/she is allowed to appoint up to two proxies to attend, speak and vote on his/her behalf at the general meeting through an instrument appointing proxy deposited with the Company not less than 72 hours before the time appointed for the holding of the general meeting. Relevant intermediary as ascribed in Section 181 of the Companies Act, may however appoint more than two proxies to attend, speak and vote in the general meetings without being constrained by the two-proxy requirement.

Pursuant to Rule 730A(2) of the Listing Rules, Perennial will conduct voting by poll for all resolutions at the forthcoming AGM. The Board believes that voting by poll provides better clarity and enhances transparency of the voting process. At shareholders' meetings, each distinct issue is proposed as a separate resolution. The rationale for the resolutions to be proposed at the general meetings is set out in the notices of the meeting or its accompanying appendices. To ensure transparency, the Company conducts electronic poll voting for Shareholders/proxies present at the meeting for all the resolutions proposed at the general meetings. An independent scrutineer is appointed to facilitate the process at the meetings. The total number of votes cast for or against each resolution and the respective percentages will be announced to all Shareholders at the AGM. An announcement of the AGM results will also be made via SGXNET on the same day as the meeting.

The Board Chairman, Chairman of each Board Committee, all Board Members, CEO, CFO, Company Secretary and members of the Management team are in attendance at AGMs or EGMs to take questions and obtain feedback from Shareholders. Shareholders are encouraged to communicate their views, raise questions, provide feedback and discuss with the Board and the Management on issues pertaining to the proposed resolutions or any other matters regarding Perennial. The external auditor, KPMG, also attends the general meetings to assist in addressing queries from Shareholders relating to the conduct of the external audit and the preparation and content of the auditors' report.

## CORPORATE GOVERNANCE

External legal advisors and other consultants (where applicable) are also invited to attend the general meetings and will assist the Board and the Management to respond to queries, where relevant. Shareholders also have the opportunity to communicate, discuss and interact with the Board and the Management after the general meetings.

The Company Secretary prepares minutes of the general meetings, which include substantial comments or queries raised by Shareholders and the responses from the Chairman, Board Members and the Management. To safeguard Shareholders' interests and rights and to place adequate attention and focus on each issue, the Company seeks to ensure that each substantially distinct issue is proposed as a separate resolution and that the Code's guideline regarding the "bundling" of resolutions are complied with. These minutes are made available to Shareholders upon their request and are available on Perennial's corporate website.

### Dividend Policy

Perennial has a formalised dividend policy which aims to balance cash return to Shareholders and the Investment Community for sustaining growth, while striving for an efficient capital structure. Through this policy, Perennial seeks to provide consistent and sustainable ordinary dividend payments to its Shareholders on an annual basis. The Company's policy is to declare a dividend of up to 25% of the distributable profits (excluding revaluation gains), after taking into account the appropriation of amounts which are sufficient and prudent to meet the working capital, capital expenditure and cash flow needs of the Company. For every dividend declaration made, Shareholders will be notified via an announcement made through SGXNET.

### DEALINGS IN SECURITIES

Perennial adopts a trading policy based on the SGX-ST's best practices on dealing in securities which has been communicated to all employees in the Group. Pursuant to the SGX-ST's Listing Rule 1207(19), Perennial issues guidelines to Directors and employees in the Group, which set out the prohibitions against dealings in the Company's securities (i) while in possession of material unpublished price-sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of, the Company's results for each of the first three quarters of its financial year and (iii) during the one month preceding, and up to the time of announcement of, Perennial's results for the full financial year. The Directors and employees of Perennial are notified by the Company Secretary in advance of the commencement of each period where dealings in the Company's securities are prohibited.

Directors and employees of Perennial are also required to refrain from dealing in the Company's securities on short-term considerations and are required to observe insider trading laws at all times. They are also advised to be mindful and ensure that their dealings in securities do not contravene the laws on insider trading under the Securities and Futures Act.

### BUSINESS CONDUCT

The Board and Management are committed to conducting business with integrity that is consistent with high standard of business ethics, as well as in compliance with all applicable laws and regulatory requirements. Perennial has in place an internal policy governing employees' code of conduct, corporate gift guidelines and grievance handling procedures. This business conduct policy crystallises the Group's business principles and practices that are expected of its employees with respect to the matters which may have ethical implications, such as corruption, bribery, conflicts of interest, misappropriation of assets, violation of law and regulations, non-compliance with Perennial's policies and procedures, abuse of position and other misconduct.

The business conduct policy which is communicated to all Perennial's employees, provides a direct and understandable framework for employees to observe the Group's principles, such as integrity, honesty and responsibility at all levels of the organisation.

### INTERESTED PERSON TRANSACTIONS

Perennial has established a formal Interested Person Transaction ("IPT") Policy, which defines the levels and procedures to obtain approval for IPTs. The IPT Policy is to ensure that all transactions with interested persons are (i) conducted on normal commercial terms and are not prejudicial to the interests of Shareholders and (ii) properly approved by the respective approving authorities and reported in a timely manner to the ARC. The IPT Policy is circulated to all departments in Perennial. All departments are required to be familiar with the IPT Policy and report any IPT to the ARC for review.

In accordance with the reporting requirements in Chapter 9 of the SGX-ST Listing Rules, Perennial also maintains a register of all IPT entered into by the Group. As stipulated in Perennial's IPT Policy, the Management reports the IPT register, which contains all transactions with interested persons and the relevant details of each transaction, to the ARC on a quarterly basis.

When a potential conflict of interest arises, the director concerned does not participate in discussion and refrains from exercising any influence over other members of the Board.

An audit on IPT is also incorporated into Perennial's annual internal audit plan and the findings are reported to the ARC. For the financial year ended 31 December 2017, the ARC is satisfied that the internal controls in respect of the identification, evaluation, review, approval and reporting of the IPTs are effective. More detailed information on the nature and transaction value of IPTs for the financial year may be found in the supplemental information section on page 225 of this report.

### MATERIAL CONTRACTS

Since previous financial year ended 31 December 2016, there are no material contracts entered into by Perennial or any of its subsidiaries that involves the interests of any Director or a controlling shareholder of Perennial, and no such contract subsisted as at 31 December 2017, except for those IPTs announced via SGXNET from time to time that are in compliance with the SGX-ST Listing Rules.

## CG CODE DISCLOSURE GUIDE

Guideline / Questions	How has the Company complied?
<p><b>General</b></p> <p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes, the Company has complied with all principles and guidelines of the Code in all material respects. To the extent that there are deviations, explanations have been provided in the report and alternative practices have been adopted by the Company.</p> <p>Guideline 4.4: Instead of implementing a maximum number of listed company board representations, the Board is of the view that this should be based on the capacity and circumstances of each individual Director. The NC monitors and assesses annually whether a Director, who has multiple board representations and other principal commitments, is able to and has been adequately carrying out his duties as a Director of Perennial. In the financial year, the NC has performed such an assessment by taking into account the effectiveness, contributions and the actual conduct of the individual Director including his participation and attendance at the Board meetings, and is satisfied that each Director has given sufficient time and attention to the affairs of the Group and has been able to discharge his duties as a Director effectively.</p>
<b>Board Responsibility</b>	
<p><b>Guideline 1.5</b></p> <p>What are the types of material transactions which require approval from the Board?</p>	<p>The specific matters which are reserved for the Board's approval include:</p> <ul style="list-style-type: none"> <li>(i) Material acquisition/disposal or increase/decrease in equity investments and debt securities</li> <li>(ii) Provision for impairment in investments</li> <li>(iii) Acceptance of banking or guarantee facilities</li> <li>(iv) Granting of corporate guarantee</li> <li>(v) Approval of annual operating and capital expenditure budget</li> <li>(vi) Approval of project development expenditure/asset enhancement initiatives budget</li> </ul>
<b>Members of the Board</b>	
<p><b>Guideline 2.6</b></p> <p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p>	<p>The NC carries out a proactive review of the Board composition at least annually or on each occasion where an existing non-executive Director gives notice of his intention to retire or resign. This is to assess the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve Perennial's strategic and operational objectives. In such review, the NC assesses the board size, composition as well as the diversity in skill, competencies, experience, age and gender. In light of such review and in consultation with the Management, the NC assesses if there is any inadequate representation in respect of any of those attributes and if so, the NC will establish the profile required for the role and the desirable competencies for the particular appointment in order for the Board to have an appropriate mix of core competencies to fulfil its roles and responsibilities.</p>

Guideline / Questions	How has the Company complied?
<b>Members of the Board</b>	
<b>Guideline 2.6</b> (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	<p>The Board consists of Directors with core competencies in the real estate, healthcare-related, banking, finance, legal and investment sectors. In addition, the Directors' combined work experience spans the areas of risk management, strategic planning and business development.</p> <p>Taking into account the scope and nature of Perennial's operations as well as the requirements of the business, the NC is of the view that the current size and composition of the Board provides for an appropriate balance and diversity of skills, experience and knowledge of the industry, and at the same time, facilitates effective decision-making at the Board and Board Committees.</p> <p>The Board is supportive of gender diversity and shares the view that female directors may offer fresh perspective and enhance the decision-making process. To build on gender diversity as an important attribute of the Board's composition, the Board will consider female candidates for future directorship appointments, especially those in the medical healthcare field, to complement the Board's core competencies. However, the Board is also of the view that gender should not be the main selection criteria and that the appointment of a Director should be made based on skills, experience and knowledge.</p>
(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	At least annually, the NC reviews the board size and composition to ensure that an appropriate balance and diversity of experience, skills, knowledge, perspectives, qualifications and other attributes in the relevant areas is maintained among the Directors in order to build an effective and cohesive Board. In doing this, the NC considers the knowledge, experience and attributes of the existing Directors, the retirement and re-election of Directors, each Director's performance and contributions, and whether new competencies are required to enhance the Board's effectiveness. The NC is also responsible for reviewing the succession plans for the Board and has put in place a formal process for the renewal of the Board and the selection of new Directors.
<b>Guideline 4.6</b> Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p>During the financial year, there was no appointment of new Directors.</p> <p>With respect to the retirement and re-election of Directors, the NC reviews the composition of the Board and the needs of Perennial at the relevant time as well as each of the retiring Director's performance and contributions, such as attendance, preparedness and participation, before making recommendations to the Board.</p>
<b>Guideline 1.6</b> (a) Are new directors given formal training? If not, please explain why.	Yes, new Directors undergo an induction programme which include comprehensive briefings on Board structure and responsibilities, overall strategic plans and direction for Perennial, corporate governance practices, Group organisation structure and business activities as well as financial performance of Perennial. New Directors will also be briefed on their duties and statutory obligations as a Director of the Company.
(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	All existing Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to relevant laws, regulations and accounting standards, and industry-related matters. Site visits are also organised for the Directors to familiarise themselves with Perennial's assets and to better understand its business operations.
<b>Guideline 4.4</b> (a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Company has not prescribed a maximum number of listed company board representations for its Directors.

Guideline / Questions	How has the Company complied?
<b>Members of the Board</b>	
<b>Guideline 4.4</b> (b) If a maximum number has not been determined, what are the reasons?  (c) What are the specific considerations in deciding on the capacity of directors?	<p>The Board is of the view that the maximum number of listed company board representation should be based on the capacity and circumstances of each individual Director instead of prescribing a numerical limit.</p> <p>The NC conducts an annual assessment on the effectiveness of the Directors and their actual attendance, contributions, participation and conduct on the Board, to determine whether a Director, who has multiple board representations and other principal commitments, is able to and has been adequately carrying out his duties as a Director.</p>
<b>Board Evaluation</b>	
<b>Guideline 5.1</b> (a) What was the process upon which the Board reached the conclusion on its performance for the financial year?  (b) Has the Board met its performance objectives?	<p>The Board evaluates its performance through the completion of various questionnaires by the Directors, which seek their views on the different aspects of performance by the Board, the Board Committees and the individual Directors. The results and feedback from the questionnaires are consolidated by the Company Secretary for analysis by the NC. The NC evaluates the assessment results and feedback, and deliberates on the areas of strengths and weaknesses to improve the effectiveness of the Board and the Board Committees.</p> <p>Yes</p>
<b>Independence of Directors</b>	
<b>Guideline 2.1</b> Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. The Board presently has seven Directors, comprising one executive Director and six non-executive Directors, of whom, four are independent Directors.
<b>Guideline 2.3</b> (a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.  (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	<p>No. There is no such Director.</p> <p>Not applicable.</p>
<b>Guideline 2.4</b> Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	None of the independent Directors has served more than nine years on the Board.
<b>Disclosure on Remuneration</b>	
<b>Guideline 9.2</b> Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.

## CORPORATE GOVERNANCE

Guideline / Questions	How has the Company complied?
<b>Disclosure on Remuneration</b>	
<p><b>Guideline 9.3</b></p> <p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>Yes.</p> <p>The aggregate remuneration paid to the top five key management personnel of the Company for the financial year was S\$3,460,090.</p>
<p><b>Guideline 9.4</b></p> <p>Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.</p>	<p>There is no such employee.</p>
<p><b>Guideline 9.6</b></p> <p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>The total remuneration mix comprises four key components: fixed compensation, variable compensation, share-based compensation and market-related benefits. The fixed component comprises the base salary, which is determined by benchmarking against similar and comparable industries. The variable compensation is tied to the achievement of short-term pre-agreed financial and non-financial performance targets for the Company and individual employees. The share-based compensation refers to the Perennial ESOS 2014 approved by Shareholders. The Perennial ESOS 2014 is a long-term incentive plan whereby share options are granted based on the achievement of corporate and individual performance targets.</p> <p>The compensation structure is directly linked to the achievement of performance targets for the Company and individual employees, with emphasis on both short and long-term objectives. The short-term incentives are based on the fulfilment of corporate targets involving business performance, profitability and operational growth as well as individual performance targets that are aligned to the overall strategic, financial and operational goals of the Company. Long-term incentives consist of share options that were granted based on the achievement of corporate and individual performance targets that are the key drivers of shareholder value creation and are aligned to Perennial's business objectives.</p> <p>Yes. The RC is satisfied that the quantum of performance-related bonuses and the value of share options granted and vested under the Perennial ESOS 2014 was fair and appropriate, taking into account the extent to which their performance conditions for the financial year were met.</p>

Guideline / Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>	
<p><b>Guideline 6.1</b></p> <p>What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</p>	<p>Other than providing Directors with Board meeting materials generally at least five days prior to the date of the relevant meeting, the CEO gives a complete and comprehensive update on Perennial's business and operations, significant developments on the Group's business initiatives and industry developments, while the CFO presents the financial highlights of Perennial's performance. The Board is also apprised of risk management updates, regulatory updates and analysis or press commentaries through other presentations by the Management.</p> <p>Directors are also provided with operational and financial reports on the performance of Perennial. These reports include key financial indicators, variance analysis, property updates and strategic and business highlights.</p> <p>Directors have direct, independent and unrestricted access to the CEO, Management, Company Secretary and internal and external auditors at all times. Any request for additional information from the Directors is also dealt with promptly by the Management.</p>
<p><b>Guideline 13.1</b></p> <p>Does the Company have an internal audit function? If not, please explain why.</p>	<p>Yes, Perennial's internal audit function is outsourced to EY.</p>
<p><b>Guideline 11.3</b></p> <p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p>	<p>The Board oversees Perennial's system of internal controls and risk management with the support from the ARC. Perennial has in place a comprehensive ERM framework which lays out the governing policies, processes and systems to identify, evaluate and manage risks as well as to facilitate the assessment on the adequacy and effectiveness of the Group's risk management system. The CEO and the Management are responsible for the implementation of ERM and day-to-day management of risks in Perennial.</p> <p>Under the ERM framework, Perennial's risk profile, risk registers and all identified risks and controls are reviewed by the ARC and reported to the Board at least annually. On a regular basis, Management updates the ARC on the key risks and the risk management activities of Perennial's business. The ARC and the Board also review the key risk indicators and risk dashboard, and discuss the status of the risk exposures and risk management action plans at the ARC meetings.</p> <p>For the financial year, the ARC and Board reviewed Perennial's risk management framework, policies and system, and is satisfied with the adequacy and effectiveness of the Group's risk management system.</p> <p>The ARC's view on the adequacy and effectiveness of Perennial's internal controls is based on the group-wide governance and internal control policies, procedures and guidelines dictating the segregation of duties, approval authorities and limits as well as checks and balances embedded in business processes.</p> <p>Internal and external auditors conduct audits that involve testing the adequacy and effectiveness of material internal controls, including financial, operational, compliance and IT controls. Any material non-compliance or lapses in internal controls, together with corrective measures recommended by internal and external auditors, are reported to and reviewed by the ARC. The adequacy, timeliness and effectiveness of the measures taken by the Management in response to the recommendations made by the internal and external auditors are also reviewed by the ARC.</p> <p>Based on the ERM framework and internal controls established and maintained by Perennial, work performed by internal and external auditors, and written assurance received from the CEO and CFO, the Board, with the concurrence of the ARC, is of the opinion that Perennial's risk management and internal control systems are adequate and effective to address the financial, operational, compliance and IT risks which the Group considers relevant and material to its business scope and environment.</p>

## CORPORATE GOVERNANCE

Guideline / Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>	
<b>Guideline 11.3</b> (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes. The Board has received assurance from the CEO and CFO regarding part (i) and (ii).
<b>Guideline 12.6</b> (a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.  (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	As at 31 December 2017, the aggregate fees paid/payable to KPMG were S\$631,063 for their external audit services and S\$2,325 for their non-audit services.  The ARC undertook a review of the independence of KPMG through reviewing the processes, policies and safeguards adopted by Perennial and KPMG relating to audit independence. An assessment was also carried out by the ARC on the nature, extent and volume of the non-audit services provided by the external auditors and its affiliates, and the fees paid for such services. For the financial year ended 31 December 2017, the non-audit fees accounted for 0.4% of total fees paid to KPMG. The ARC has confirmed that the provision of such non-audit services by the external auditors has not affected their independence.
<b>Communication with Shareholders</b>	
<b>Guideline 15.4</b> (a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?  (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?  (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Yes. The Management meets with Shareholders and the Investment Community to communicate Perennial's strategic business plans and operating performance, share latest corporate and industry developments, and gather their views and feedback. In addition to the AGM which is used as the main forum for dialogue with Shareholders and Investment Community, the CEO and Management also attended investors' conferences and seminars and held dialogue sessions during the financial year ended 31 December 2017. Perennial also engages with Shareholders and the Investment Community through phone calls, emails and its corporate website.  Yes, Perennial has a dedicated investor relations and corporate communications team which facilitates communication with Shareholders and the Investment Community and attends to their queries and concerns in a timely manner.  Perennial employs various platforms to effectively engage Shareholders and the Investment Community, including phone calls, e-mail communications and publication content on its corporate website. A dedicated investor relations section on Perennial's corporate website provide Shareholders and the Investment Community with pertinent financial and non-financial related information including financial results' announcements, presentation slides and press releases, circulars and annual reports, shares and dividend information, updates on business and operations, and other relevant information. The contact details of the investor relations and corporate communications team are also listed on Perennial's corporate website to facilitate any queries from Shareholders and the Investment Community.
<b>Guideline 15.5</b> If the Company is not paying any dividends for the financial year, please explain why.	Not applicable. A dividend has been declared for the financial year ended 31 December 2017.

## DISCLOSURE OF CORPORATE GOVERNANCE ARRANGEMENTS

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report
<b>Guideline 1.3</b> Delegation of authority, by the Board to any Board Committee, to make decisions on certain board matters	110-111
<b>Guideline 1.4</b> The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings	112
<b>Guideline 1.5</b> The type of material transactions that require Board approval under guidelines	112
<b>Guideline 1.6</b> The induction, orientation and training provided to new and existing Directors	112
<b>Guideline 2.3</b> The Board should identify in the Company's Annual Report each Director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the Director's relationship and the reasons for considering him as independent should be disclosed	113-114
<b>Guideline 2.4</b> Where the Board considers an independent Director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	114
<b>Guideline 3.1</b> Relationship between the Chairman and the CEO where they are immediate family members	114
<b>Guideline 4.1</b> Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	115-116
<b>Guideline 4.4</b> The maximum number of listed company board representations which Directors may hold should be disclosed	116
<b>Guideline 4.6</b> Process for the selection, appointment and re-appointment of new Directors to the Board, including the search and nomination process	115-116
<b>Guideline 4.7</b> Key information regarding Directors, including which Directors are executive, non-executive or considered by the NC to be independent	24-27, 110, 114-115
<b>Guideline 5.1</b> The Board should state in the Company's Annual Report how assessment of the Board, its Board Committees and each Director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the Company or any of its Directors. This assessment process should be disclosed in the Company's Annual Report	117

## CORPORATE GOVERNANCE

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report
<b>Guideline 7.1</b> Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	110, 118
<b>Guideline 7.3</b> Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company	120
<b>Principle 9</b> Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	118-122
<b>Guideline 9.1</b> Remuneration of Directors, the CEO and at least the top five key management personnel (who are not also Directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who are not Directors or the CEO)	120-122
<b>Guideline 9.2</b> Fully disclose the remuneration of each individual Director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	120
<b>Guideline 9.3</b> Name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	122
<b>Guideline 9.4</b> Details of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000	122
<b>Guideline 9.5</b> Details and important terms of employee share schemes	121
<b>Guideline 9.6</b> For greater transparency, companies should disclose more information on the link between remuneration paid to the executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	120-122

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report
<b>Guideline 11.3</b> The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls and risk management systems  The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems  The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems	123
<b>Guideline 12.1</b> Names of the members of the ARC and the key terms of reference of the ARC, explaining its role and the authority delegated to it by the Board	110, 124
<b>Guideline 12.6</b> Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement	125
<b>Guideline 12.7</b> The existence of a Whistle-blowing Policy should be disclosed in the Company's Annual Report	126
<b>Guideline 12.8</b> Summary of the ARC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements	124
<b>Guideline 15.4</b> The steps the Board has taken to solicit and understand the views of the Shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings	126-127
<b>Guideline 15.5</b> Where dividends are not paid, companies should disclose their reasons	Not applicable. A dividend has been declared for the financial year.