

CORPORATE GOVERNANCE

“We believe that good corporate governance is key to ensuring the sustainability of our business and value creation for our shareholders. While we have established a robust corporate governance framework, we continue to strive to improve and enhance our practices as we expand and grow our business in new markets and countries.”

– 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

7 Directors

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”)
<p>Chairman: Mr Ooi Eng Peng</p> <p>Members: Mr Chua Phuay Hee Mr Eugene Lai Mr Lee Suan Hiang</p>	<p>Chairman: Mr Lee Suan Hiang</p> <p>Members: Mr Eugene Lai Mr Ron Sim</p>	<p>Chairman: Mr Eugene Lai</p> <p>Members: Mr Kuok Khoon Hong Mr Lee Suan Hiang</p>	<p>Members: Mr Ooi Eng Peng Mr Pua Seck Guan</p>	<p>Chairman: Mr Kuok Khoon Hong</p> <p>Members: Mr Ron Sim Mr Pua Seck Guan</p>
<p>All members, including the ARC Chairman, are independent non-executive Directors</p>	<p>All members are non-executive Directors</p>	<p>All members are non-executive Directors</p>	<p>Mr Ooi Eng Peng is the ARC Chairman, an independent non-executive Director</p>	<p>All members are non-independent Directors</p>
<p>Key Objective: Assist the Board to discharge its responsibilities relating to financial and accounting matters, internal controls, risk management and compliance</p>	<p>Two out of three members, including the NC Chairman, are independent Directors</p>	<p>Two out of three members, including the RC Chairman, are independent Directors</p>	<p>Mr Pua Seck Guan is the CEO, an executive Director</p>	<p>Key Objective: Assist the Board in the approval of key strategic decisions</p>
	<p>Mr Eugene Lai, being the Lead Independent Director, is one of the independent members of the NC</p>	<p>Key Objective: Oversee the remuneration of the Board and key management personnel and set appropriate remuneration framework and policies</p>	<p>Key Objective: Review the promptness and adequacy of disclosures and to approve the public release of material information</p>	
	<p>Key Objective: Recommend appointment, re-appointment and retirement of Directors and appointment of key management personnel, review board profile and corporate governance practices, evaluate Board and Director’s performance, assess Director’s independence</p>			

This report sets out Perennial's corporate governance practices for the financial year ended 31 December 2016 with reference to the Code of Corporate Governance 2012 ("**Code**"). Perennial has complied with the principles and guidelines in the Code in all material aspects. 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.

The Board oversees the business strategy and direction of Perennial and provides leadership for the Group to achieve its objectives. The Board is also collectively responsible for the long-term success of Perennial and constantly seeks to protect and enhance shareholder value. It reviews the performance of the management team ("**Management**"), approves remuneration matters and formulates policies on risk management and sustainability practices.

The Board has discharged its duties and responsibilities at all times in the best interests of Perennial for the creation of long-term value for the Company's shareholders ("**Shareholders**"). The Directors have collectively and individually exercised due diligence, acted in good faith and made decisions independently and objectively.

The Board Committees, namely the ARC, NC, RC, CDC and EC, have assisted the Board in effectively discharging its responsibilities in overseeing Perennial's businesses and enhancing the Group's overall corporate governance. 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 to investors and Shareholders through Perennial's corporate website (<http://www.perennialrealstate.com.sg>). All the terms of reference are reviewed and updated when necessary to ensure their continued relevance to Perennial. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rests 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, and thereby maximising the effectiveness of the Board members. All Board Committees are actively engaged and play an important role in ensuring good corporate governance within Perennial.

The Board and Board Committees meet quarterly 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 meetings 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.

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 papers 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.

Non-executive Directors are also encouraged to meet without the presence of the Management on a need-to basis. 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.

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For the financial year ended 31 December 2016, the number of Board and Board Committee meetings held and the Directors' attendance thereat is set out below:

Name of Directors	Board Meeting ¹	Audit and Risk Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Mr Kuok Khoon Hong	4	NA	NA	1
Mr Ron Sim	4	NA	2	NA
Mr Eugene Lai	4	3	2	— ²
Mr Ooi Eng Peng	5	4	NA	NA
Mr Lee Suan Hiang	5	4	2	1
Mr Chua Phuay Hee	4	4	NA	NA
Mr Pua Seck Guan	5	NA	NA	NA
Total number of meetings held in the financial year	5	4	2	1

1 Includes a Verification Meeting held on 13 April 2016.

2 Mr Lai was unable to attend the RC Meeting but was briefed separately by the Head of Human Resources where he provided his inputs and gave his approval on the subject matter.

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.

All newly-appointed Directors receive letters of appointment explaining their roles, duties and obligations as a director of the Company. Perennial conducts orientation and induction programmes for new Directors, 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. Site visits are also organised for the Directors to familiarise themselves with Perennial's assets and to better understand its business operations.

If first-time Directors are appointed, Perennial 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, Perennial 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.

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 auditor, KPMG LLP ("KPMG"), updates the ARC and the Board on new and revised Financial Reporting Standards relevant to Perennial while Ernst & Young Advisory Pte Ltd, Perennial's internal auditor, also updates 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"), Singapore Exchange Securities Trading Limited ("SGX-ST") and Singapore Institute of Directors. The seminar brought together regulators and industry experts to share the latest developments in 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.

The Board comprises Directors who are business leaders and professionals with strong experience relevant to Perennial's businesses, ranging from real estate, 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 28 to 31 of this report.

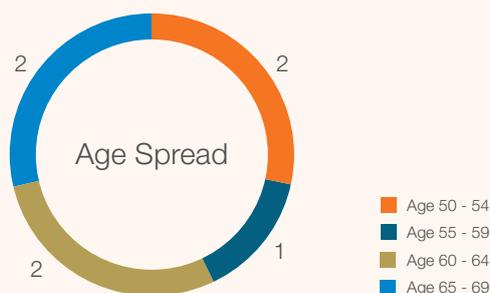
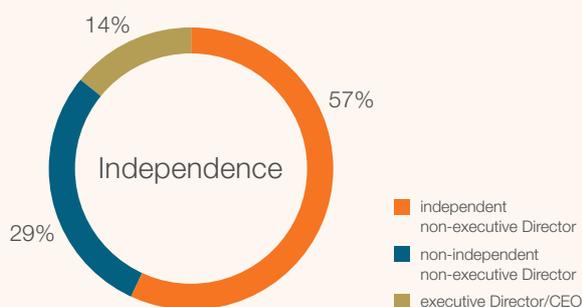
Best efforts have been made to ensure that in addition to contributing their valuable expertise and insight to Board deliberations, each Director also brings to the Board an independent

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 the Management as and when the need arises.

Board Composition

Key features of our Board

- More than half of the Board consist of independent Directors
- Separation of the roles between the Board Chairman and Chief Executive Officer ("CEO")
- None of the Directors has served on the Board for more than nine years
- Other than the CEO, no other Director is a former or current employee of Perennial
- External professionals have provided training and updates for the Directors



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. The NC also aims to maintain an appropriate balance and diversity of experience, skills, 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 also welcomes the push for greater gender diversity in the Board composition which can enhance decision-making process and further strengthen the effectiveness and performance of the Board and Board Committees. To build on gender diversity

as an important attribute in the Board composition, the Board has taken steps to ensure that female candidates are included for consideration for future directorship appointments. 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 merit, in the context of skills, experience and capabilities as well as the effective blend of competencies, skills, experience and knowledge of the Board as a whole.

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 the Director to the Board.

Board Independence

The NC is responsible for reviewing and evaluating 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 evaluation and recommendations by the NC. When evaluating the independence of the Directors, the Board

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adheres closely to 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 their 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 Perennial 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 examined different relationships identified by the Code that might impair a Director's independence and objectivity.

For the financial year ended 31 December 2016, all Directors have completed their Checklists which have been evaluated by the NC and Board to determine their independence. The NC has affirmed that the independent Directors are Mr Eugene Lai, Mr Chua Phuy Hee, Mr Lee Suan Hiang and Mr Ooi Eng Peng. The Board concurred with the NC's assessment of the independence of the relevant Directors.

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. This separation of roles and the resulting clarity provide a healthy professional relationship between the Board and the Management and facilitate robust deliberations on Perennial's business activities and the exchange of ideas and views to help shape the strategic process.

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 to act in the best interests of Perennial and its Shareholders. The Board has considered Mr Kuok Khoon Hong's role as the Board Chairman, and the strengths he brings to such a role by virtue of his stature and experience. He facilitates the relationship and information flow within and between the Board, CEO and the Management,

sets the agenda for Board meetings 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 ensure that such decisions are translated into executive actions.

In addition, the Chairman works with the Board, the Board Committees and Management to establish risk limits undertaken by the Group and at the same time, promotes 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 the 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 the Shareholders, the Board and the 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 Perennial'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 the day-to-day business operations, reporting to the Board on all aspects of the operations and performance, managing and cultivating good relationships with all stakeholders and ensuring effective communication with the stakeholders.

Taking cognisance that the Chairman is a non-independent Director, 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 NC and ARC.

The Lead Independent Director acts as a counter-check on management issues in the decision-making process and avails himself to address Shareholders' concerns and 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 deem 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.

Objectives of NC

- Makes recommendations to the Board on all Board and Board Committee appointments as well as the appointment, re-appointment and retirement of Directors
- Reviews size and composition of the Board and ensures progressive Board renewal
- Determines the independence of each Director
- Oversees the Board and senior Management's succession and leadership development plans
- Reviews Directors' training and continuous professional development programmes
- Ensures a formal assessment of the performance and effectiveness of the Board as a whole and the contributions of each Director to the Board
- Develops and reviews Perennial's corporate governance practices

The Group believes that the Board's renewal is a necessary and continual process for good governance and maintaining relevance to the changing needs of Perennial's business. 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 the 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.

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(s) is/are 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 his/her responsibilities as 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:

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

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, is able to and has been adequately carrying 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 the number of their board representation 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 and contribute in 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.

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Procedures and control mechanisms are also in place to ensure that independence of the Directors is actively monitored. Please refer to page 115 on Board Independence.

With respect to the annual 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 the Directors' 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, 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 the Shareholders to exercise their right to appoint all of the Board members.

At the forthcoming AGM, the Directors standing for re-election are Mr Eugene Lai and Mr Chua Phuay Hee. Mr Lai is currently the Lead Independent Director, Chairman of the RC and a member of both the NC and ARC. Mr Chua is an independent Director and also a member of the ARC. Both Directors have indicated their willingness to stand for re-election. The NC has nominated and recommended to the Board for 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 is currently being appointed to the Board.

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.

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. Perennial has put in place a formal process to evaluate the effectiveness and performance of the Board, the Board Committees and the individual Directors, using appropriate and objective parameters which were recommended by the NC and approved by the Board. These 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 the areas of improvement which should be made to improve the effectiveness of the Board and Board

Committees. The performance evaluation criteria, which focus on enhancing shareholder value, is approved by the Board.

To assess the Board's performance, each Director is required to evaluate on factors including the effectiveness of the Board and the Board Committees, adequacy of the blend of skillsets and expertise in the Board, and the relevance and timeliness of the Board and the Board Committee meeting agendas and papers. The assessment also considers factors such as the size and composition of the Board and the Board Committees, Board processes, the Board and the Board Committees' roles as well as communication within the Board and with the 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 regarding Perennial's business environment, degree of preparedness, level of participation, attendance, the Director's expertise and experience, effectiveness in discussing matters and any deficiencies, and the level of candour in taking a firm and independent stance and in challenging the 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 by the Management outside of a formal environment of the Board and/or the Board Committee 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.

For the financial year ended 31 December 2016, the Directors had completed the questionnaires which assessed the effectiveness of the Board, the Board Committees and the individual Directors. The results of the assessment indicated that the Board and Board Committees had functioned effectively and the contributions of individual Directors were satisfactory.

If required, the Board may engage an external facilitator to assess the effectiveness of the Board and the Board Committees as well as the contributions by the Directors. No external facilitator has been engaged for the financial year ended 31 December 2016.

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 on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To give the Directors sufficient time to prepare for the Board and the Board Committee meetings and 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 related 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 chairmen 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") 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 regimes and analysts and press commentaries through other presentations by the Management. This allows the Directors to develop a good understanding of Perennial'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, 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 analyses, property updates and strategic and 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.

As a matter of good corporate governance, the role of the Company Secretary is clearly defined. The Company Secretary attends all Board meetings and provides secretariat support to the Board and the various Board Committees. She administers and prepares notices and minutes of meetings and is responsible for ensuring that the Board procedures are observed and that applicable rules and regulations are complied with. The agenda for the Board and the Board Committee meetings are prepared in consultation with the Chairman, the respective chairmen of the Board Committees, and the CEO to ensure good information flow within the Board and the Board Committees, as well as between the Management and non-executive Directors.

The Company Secretary assists the Board Chairman and the respective chairmen of the Board Committees in scheduling the respective meetings. 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 assists the Board on Perennial's compliance with the Company's Constitution and applicable laws and regulations, including requirements of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), the Securities and Futures Act and the SGX-ST Listing Manual. 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.

The Board, whether as individual Director or as a Group, is entitled to seek independent professional advice in the furtherance of their duties 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.

Objectives of RC

- Reviews and recommends the remuneration framework to the Board
- Assists the Board to oversee the governance and ongoing appropriateness and relevance of the remuneration policy and other benefit programmes
- Reviews and recommends the specific remuneration packages for each Director, the CEO and key management personnel to the Board for approval, which covers all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, grant of shares and share options, and benefits-in-kind
- Approves or recommends any termination payments, retirement payments and other payments of similar nature to key management personnel
- Reviews and approves the design of all option plans, share plans and/or other equity based plans
- Oversees talent development and reviews succession planning for key management personnel and the leadership pipeline in the immediate, medium and longer term

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 aims to build a capable and committed management team, through competitive compensation packages and progressive policies which are aligned with the

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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, no Director is 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 has access to expert professional advice on human resource matters whenever there is a need for such external consultation. In the financial year ended 31 December 2016, no remuneration consultants were appointed. The RC also sought advice from the Human Resource Department as appropriate.

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 2016 as compared to the preceding financial period. As per last financial period, 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 2016 is as follows:

Fee Structure	S\$
Basic Retainer Fee	
Director	50,000
Appointment	
ARC Chairman	25,000
ARC Member	15,000
RC Chairman	10,000
RC Member	5,000
NC Chairman	10,000
NC Member	5,000
Lead Independent Director	10,000

The details of remuneration for the Directors and CEO for the financial year ended 31 December 2016 are provided in the table below.

Directors of the Company	Salary inclusive of Annual Wage Supplement ("AWS") and employer's CPF %	Bonus and other benefits inclusive of employer's CPF %	Stock options granted and other share-based incentives and awards %	Director's fees %	%	Total S\$
Executive Director						
Mr Pua Seck Guan	26.5	57.1	16.4	–	100	1,761,000
Non-Executive Directors						
Mr Kuok Khoon Hong	–	–	–	100	100	55,000
Mr Ron Sim	–	–	–	100	100	55,000
Mr Eugene Lai	–	–	–	100	100	90,000
Mr Ooi Eng Peng	–	–	–	100	100	74,000*
Mr Lee Suan Hiang	–	–	–	100	100	80,000
Mr Chua Phuay Hee	–	–	–	100	100	66,000*

* Mr Chua Phuay Hee stepped down as Chairman of ARC on 5 February 2016 and Mr Ooi Eng Peng was appointed as Chairman of ARC on the same day.

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 2016, no share options are issued to the independent non-executive Directors. The aggregate Directors' fees for non-executive Directors are subject to Shareholders' approval at the AGM.

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 judgement in ensuring that the remuneration structure is aligned with the interests of Shareholders and promotes the long-term success and sustainable growth of Perennial.

The balance between fixed and variable compensation elements changes according to the individual employee's performance,

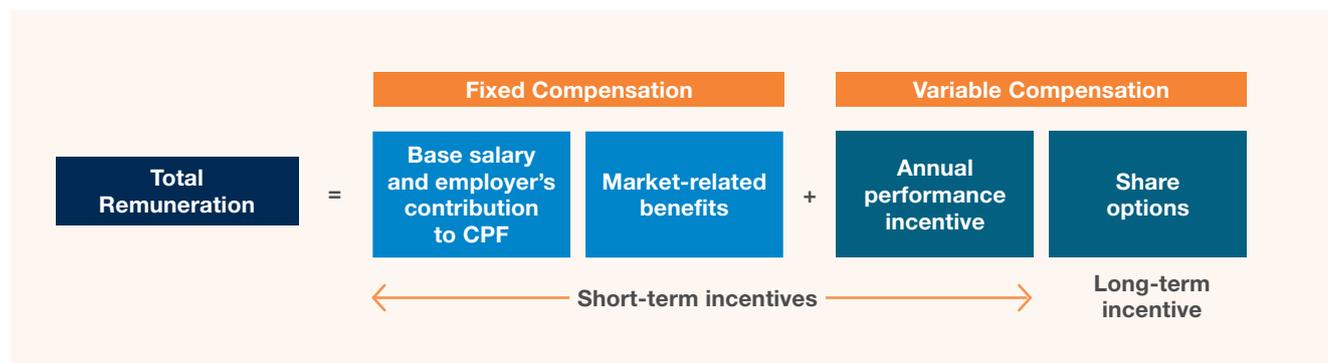
rank and department, so as to incentivise employees into adopting appropriate risk behaviours and remaining focused on prudent risk management. The RC considers the mix of fixed and variable compensation to be appropriate for Perennial and for each individual role.

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 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. 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 leverages 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 with for talent and capital. The RC is of the view that the remuneration of key management personnel is competitive and fair.

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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's 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 were 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 the long-term success of the Company and the Group as a whole.

Perennial Employee Share Option Scheme 2014 ("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. Perennial ESOS 2014 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 the 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, no 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 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 150 to 151 and in the Notes to Financial Statements from pages 193 to 194.

(d) Market-related Benefits

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

For the financial year ended 31 December 2016, 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 %
Above S\$500,000 to S\$750,000				
Ivan Koh	59.8	26.8	13.4	100
Belinda Gan	71.1	28.9	–	100
Above S\$250,000 to S\$500,000				
Goh Soon Yong	82.7	17.3	–	100
Wong Weng Hong	84.7	15.3	–	100
Annie Lee*	59.8	25.3	14.9	100

* Annie Lee has taken sabbatical leave for 3 months.

The aggregate remuneration paid to the top five key management personnel of the Company (excluding the CEO) for the financial year was S\$2,478,940.

For the financial year ended 31 December 2016, 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, the 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 maintaining Shareholders' confidence and trust in the Group and at the same time, delivering sustainable value to its Shareholders.

Directors receive operational and financial reports regarding Perennial's performance, which includes key performance indicators, variance analyses, property updates, strategic and business highlights and key developments, in order to be updated and enable them to make a balanced and clear assessment of its performance, financial position and prospects. 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 its directors and key officers under Rule 720(1) of the SGX-ST Listing Manual.

The Board also ensure that it is kept updated on relevant changes to laws and regulations so that it can monitor and supervise adequate compliance by Perennial. Changes to accounting standards and accounting issues which have a direct impact on the financial statements are also updated by Management and highlighted by the external auditor in their quarterly reviews with the ARC.

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.

Risk management is an integral part of the manner in which Perennial manages and runs its businesses. The Board recognises the importance of a robust risk management and internal control system to safeguard the assets of Perennial and the Shareholders' interests. Together with the Management, the Board is fully committed to maintaining sound risk management and internal control systems. The Board, assisted by the ARC, has overall responsibility for Perennial's systems of risk management and internal control, and for reviewing the adequacy and integrity of these systems.

In order to create, enhance and protect value for its Shareholders, Perennial proactively manages risks and embeds the risk management process into all planning and decision-making processes as well as in 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.

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The Board delegates the responsibility of overseeing Perennial's risk management framework and policies to the ARC. In discharging this responsibility, 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 also recommends on the risk tolerance limits and other associated risk parameters, as well as determines the nature and extent of the significant risks which the Board is willing to assume in achieving Perennial's strategic objectives. The ARC also assesses the Group's compliance with the risk management framework to effectively identify, measure and manage risks.

Risk Management

The CEO and the Management are responsible for identifying and managing risks. Perennial understands that its business environment presents both opportunities that need preparation and planning in order to be seized as well as uncertainties that need to be actively managed. In this regard, Perennial has implemented a comprehensive Enterprise Risk Management ("ERM") framework which enables Perennial to deal with business opportunities and uncertainties by identifying key risks and enacting the appropriate mitigating 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.

The Management, being responsible for the implementation of ERM and day-to-day management of risks in Perennial, deliberates over the risks and ensure that all findings, together with proposals to mitigate the risks, are reported to the ARC and the Board on a quarterly basis. Under the ERM framework, Perennial's risk profile is reviewed and refreshed to ensure relevancy and making sure that emerging risks are being considered and included for proper assessment, monitoring and reporting as appropriate. Perennial also produces and maintains risk registers which identified all risks it faces and the corresponding internal controls it has in place to manage or mitigate those risks. The risk profile, risk registers and all identified risks and controls are reviewed by the ARC and reported to the Board annually at the minimum. Risk tolerance limits and key risk indicators are also approved by the ARC and the Board.

Once the risks are prioritised and key risks are identified, Management proactively assesses, manages and monitors them through developing and implementing adequate preventive and mitigating measures (collectively defined as "controls"). Such key risks are also consolidated at Group level for closer monitoring by the Management as well as by the business risk owners. Business risk owners are required to identify and manage risks, review the

effectiveness of the controls implemented, and initiate necessary changes as the risk profile of the relevant asset changes. A risk dashboard is also developed and maintained at the Group level to provide early warning for potential emerging risks or increase in risk exposures, and identify areas that require immediate attention or pre-emptive actions.

On a quarterly basis, Management reports to the ARC on the key risks as well as provides updates on the risk management activities of Perennial's business. At the same time, the ARC and the Board review the key risk indicators and risk dashboard, and discuss the status of the risk exposures and risk management action plans. For the financial year ended 31 December 2016, the ARC and Board had reviewed Perennial's risk management framework, policies and system, and are satisfied that the Group's risk management system continued to be adequate and effective.

Internal Controls

Supporting the ERM framework (Please refer to pages 140 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 establish a clear tone from the Management with regard to employees' business and ethical conduct. This system of internal controls is reviewed for continuous improvement and strengthening of controls.

Internal auditor and external auditor conduct audits that involve testing the adequacy and effectiveness of material internal controls, including financial, operational, compliance and IT controls. Such audits provides 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 on 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 2016 give a true and fair view of Perennial's operations and financial results, and that 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 to address the financial, operational, compliance and IT risks which the Group considers relevant and material to its current business scope and environment.

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 judgement 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.

Whistle-Blowing Policy

The ARC oversees Perennial's Whistle-blowing Policy, which provides the 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 Whistle-blowing Policy is reviewed by the ARC annually. The Whistle-blowing Policy and procedures, together with the dedicated whistle-blowing communication channel, are disseminated via emails to all employees and also posted on Perennial's corporate website. The secured and protected whistle-blowing communication channel includes a dedicated and independent e-mail account that is only accessible by the ARC as the ARC recognises the importance of confidentiality in making a whistle-blowing report.

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. For the financial year ended 31 December 2016, no whistle-blowing report was received.

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.

Objectives of ARC

- Assist the Board to govern matters relating to financial and accounting, internal controls, risk management and compliance
- Oversees the Group's risk management framework and policies, risk profile and internal controls
- Assesses the adequacy and effectiveness of Perennial's risk management and internal control systems
- Recommends the risk tolerance limits and determines the nature and extent of the significant risks which the Board is willing to assume in achieving Perennial's strategic objectives
- Reviews the results of audits conducted, including any material non-compliance or lapses in internal controls, corrective measures recommended by auditors and the adequacy, timeliness and effectiveness of the measures taken by the Management

The ARC was chaired by Mr Chua Phuay Hee until 5 February 2016. Thereafter, Mr Chua Phuay Hee stepped down as Chairman of the ARC and Mr Ooi Eng Peng was appointed as Chairman of the ARC. Both Mr Chua Phuay Hee and Mr Ooi Eng Peng have recent and relevant accounting or related financial management expertise and experience. The Board considered the other ARC members to have the appropriate finance and business management knowledge and experience to discharge their responsibilities.

The ARC is guided by its terms of reference which is reviewed when necessary to ensure relevancy 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 judgements 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;
- reviews the scope and results of the external audit, the annual audit plan, the audit reports and the independence and objectivity of the external auditor;

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- 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 Manual;
- 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 Manual.

The ARC has full access to the Management and reasonable resources to enable it to discharge its functions properly and the explicit authority to investigate any matter within its terms of reference. The Management is required to provide the fullest co-operation in furnishing information and resources in carrying out all requests made by the ARC. The ARC also has direct access to the internal auditor and external auditor, and has full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal auditor and external auditor

are given unrestricted access to the ARC. The ARC is also authorised to engage any firm of accountants, lawyers or other external independent professionals to provide independent advice to assist in the review or investigation on 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 2016, and all other Directors (who are not members of the ARC) are invited to attend the ARC meetings. The CEO, CFO, Company Secretary, internal and external auditors as well as the 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 auditor also highlighted changes in accounting standards and issues during their quarterly reviews with the ARC.

In the review of financial statements, the ARC has discussed with the Management on the accounting policies that were adopted and applied. The ARC has also considered the judgements and estimates made by the Management that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with the Management and KPMG, and were reviewed by the ARC:

Key Audit Matters	How the ARC reviewed and decided on these matters
Accounting for Acquisitions	<p>There were a number of new acquisitions made during the financial year and this was an area of focus by the external auditor who has highlighted it as one of the key audit matters in its audit report for the year ended 31 December 2016 ("FY2016"). Please refer to page 153 of this report.</p> <p>The ARC reviewed the accounting treatment, judgement and estimates adopted by Management in relation to the acquisitions and was satisfied that the approach adopted was appropriate.</p>
Valuation of investment properties Valuation of development properties for sale	<p>The valuation of investment properties and development properties for sale were two other key focus areas of the auditor and are also included as key audit matters in the audit report for FY2016.</p> <p>The valuations of the properties for purpose of the financial reporting were carried out by professional independent external valuers. The external valuers have adopted valuation techniques which include the discounted cashflows method, the capitalisation approach and the direct comparison method.</p> <p>The ARC has considered and reviewed the reasonableness of the inputs and assumptions used and the methodologies adopted by the valuers in deriving the valuations and was satisfied that the methodologies used were appropriate and the valuations are within the expected range.</p>
Impairment of goodwill	<p>The Group has goodwill of S\$63 million as at 31 December 2016 and this is another key focus area of the auditor.</p> <p>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.</p> <p>The ARC reviewed the assumptions and estimates used for the impairment tests and are satisfied that the parameters adopted are appropriate and reasonable.</p>

Key Audit Matters

How the ARC reviewed and decided on these matters

Impairment of Capitol Investment Holdings Pte Ltd

The Group holds a 50% stake in Capitol Investment Holdings Pte Ltd and its subsidiaries (“**Capitol Entities**”).

The Group has filed application for a Court winding-up of the Capitol Entities and the winding application was dismissed on 3 March 2017. The auditor has flagged the possible impairment of the Capitol Entities as one of the key audit matters in its audit report for FY2016.

Capitol’s main assets comprise investment properties and a development property for sale. The recoverable values of the Capitol Entities are dependent on the valuation of these assets. The valuations of these properties are carried out by a professional independent external valuer based on certain assumptions and methodologies.

The ARC has reviewed the methodologies and the outcome of the valuer’s valuations and are satisfied that the methodologies used are appropriate and the valuations are within expected range.

For the financial year, the ARC has also reviewed and is satisfied with the standard of the external auditor’s 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 2016, the aggregate fees paid/payable to KPMG was S\$761,148, of which the fees for external audit services and non-audit services were S\$653,576 and S\$107,572 respectively.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2017, the ARC has taken into consideration the adequacy of resources, experience and competence of KPMG as well as the quality of audits performed. Having 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 auditor at the forthcoming AGM.

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

The Company confirms that it has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditor. No former partner or director of KPMG was appointed as an ARC member within 12 months commencing on the date of the relevant member ceasing to be a partner of the auditing firm or director of the auditing corporation and in any case, for as long as he has any financial interest in the auditing firm or auditing corporation.

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 role of EY is to assist the ARC in providing an independent and objective evaluation of the adequacy and effectiveness of the internal controls and risk management processes, through assessing the design and operating effectiveness of controls that governs the key business processes and risks. In doing so, 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 (“**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 covered sufficiently in terms of audit scope in 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.

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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 Auditor.

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 auditor's 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.

Communication with Shareholders

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 the analysts, potential investors, the 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 the Shareholders and the Investment Community and attending to 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 the Shareholders and the Investment Community with pertinent financial and non-financial related 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 engages the 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 the 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 Investment Community, the CEO and the Management also attended investors' conferences and seminars and held dialogue sessions during the financial year. Perennial also engages with the Shareholders and Investment Community through various platforms including phone calls, e-mail communications as well as publication content on Perennial's corporate website.

Perennial ensures that the 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 the 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. Perennial treats all its Shareholders fairly and equitably. 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 information is inadvertently disclosed to any selected group of stakeholders, 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.

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 the 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.

The Shareholders are informed of the general meetings, together with the relevant rules and voting procedures of such meetings, through notices of general meetings of the 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 AGM to give Shareholders ample time to review the documents. Details and matters that require the Shareholders' consideration and approval are clearly documented in the Annual Report or circulars to allow the 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 of the Shareholders via Perennial's corporate website.

Pursuant to Rule 730 A(2) of the Listing Manual, 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. An independent external party is appointed as the scrutineer for its poll voting process. The total number of votes cast for or against each resolution and the respective percentages will be announced to all of the Shareholders at the AGM. An announcement of the AGM results will also be made in a timely manner 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 the Shareholders. The 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 the Shareholders relating to the conduct of the external audit and the preparation and content of the auditors' report. 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. The Shareholders also have the opportunity to communicate, discuss and interact with the Board and the Management after the general meetings.

The Company Secretary prepares detailed minutes of general meetings of the Shareholders, which include substantial comments or queries raised by the Shareholders and the responses from the Chairman, Board Members and the Management. To safeguard the Shareholders' interests and rights and to place adequate attention and focus on each issue, Perennial 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 the 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 the 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.

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 sets 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 that governs the 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 laws 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 to ensure that all transactions with interested persons are reported in a timely manner to the ARC, conducted on normal commercial terms and are not prejudicial to the interests of the Shareholders. 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 Manual, 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 contain all transactions with interested persons and the relevant details of each transaction, to the ARC on a quarterly basis.

CORPORATE GOVERNANCE

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 2016, the ARC is satisfied that the internal controls in respect of the identification, evaluation, review, approval and reporting of the IPTs are effective. Information on IPT for the financial year may be found in the supplemental information on page 225 in this report.

MATERIAL CONTRACTS

Since the end of the previous financial period ended 31 December 2015, 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 2016, except for those IPTs announced via SGXNET from time to time that are in compliance with the SGX-ST Listing Manual.

CG CODE DISCLOSURE GUIDE

Guideline / Questions	How has the Company complied?
General	
(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.	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.
(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	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.
Board Responsibility	
Guideline 1.5 What are the types of material transactions which require approval from the Board?	<ul style="list-style-type: none"> (i) Material acquisition/disposal or increase/decrease in equity investments and debt securities (ii) Provision for impairment in investments (iii) Acceptance of banking or guarantee facilities (iv) Granting of corporate guarantee (v) Approval of annual operating and capital expenditure budget (vi) Approval of project development expenditure/asset enhancement initiatives budget
Members of the Board	
Guideline 2.6 (a) What is the Board's policy with regard to diversity in identifying director nominees?	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.

Guideline / Questions	How has the Company complied?
Members of the Board	
<p>Guideline 2.6</p> <p>(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> <p>(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The Board consists of Directors with core competencies in areas such as real estate, banking, finance, legal and investment. 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 also welcomes the push for greater gender diversity in the Board composition. However, it 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 merit, in the context of skills, experience and capabilities as well as the effective blend of competencies, skills, experience and knowledge of the Board as a whole.</p> <p>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.</p>
<p>Guideline 4.6</p> <p>Please describe the board nomination process for the Company in the last financial year for</p> <p>(i) selecting and appointing new directors and</p> <p>(ii) re-electing incumbent directors.</p>	<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>
Board Responsibility	
<p>Guideline 1.6</p> <p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>Yes, new Directors undergo an induction programme which includes 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.</p> <p>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 better understand the operational aspects of the Group.</p>

Guideline / Questions	How has the Company complied?
Board Responsibility	
Guideline 4.4	
(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.
(b) If a maximum number has not been determined, what are the reasons?	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.
(c) What are the specific considerations in deciding on the capacity of directors?	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.
Board Evaluation	
Guideline 5.1	
(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	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.
(b) Has the Board met its performance objectives?	Yes
Independence of Directors	
Guideline 2.1	
(a) 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.
Guideline 2.3	
(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.	No. There is no such Director.
(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	Not applicable.

Guideline / Questions	How has the Company complied?
Independence of Directors	
<p>Guideline 2.4</p> <p>(a) 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.</p>	<p>None of the independent Directors has served more than nine years on the Board.</p>
Disclosure on Remuneration	
<p>Guideline 9.2</p> <p>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?</p>	<p>Yes.</p>
<p>Guideline 9.3</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\$2,478,940.</p>
<p>Guideline 9.4</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>

Guideline / Questions	How has the Company complied?
Disclosure on Remuneration	
<p>Guideline 9.6</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 cash compensation, share-based compensation and market-related benefits. The fixed component comprises the base salary and employer's contribution to an employee's CPF, which is determined by benchmarking against similar and comparable industries. The variable cash 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 Perennial ESOS 2014, which is a long-term incentive plan approved by the Shareholders, 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 Perennial ESOS 2014 was fair and appropriate, taking into account the extent to which their performance conditions for the financial year were met.</p>
Risk Management and Internal Controls	
<p>Guideline 6.1</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 regimes and analysts and 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 analyses, property updates and strategic and business highlights which provide the Board with a better view of Perennial's actual performance.</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>Guideline 13.1</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>

Guideline / Questions	How has the Company complied?
Risk Management and Internal Controls	
<p>Guideline 11.3</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>(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?</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 quarterly 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 had reviewed Perennial's risk management framework, policies and system, and are satisfied that the Group's risk management system continued to be adequate and effective.</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 auditor and external auditor 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 auditor and external auditor, 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 auditor and external auditor are also reviewed by the ARC.</p> <p>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 to address the financial, operational, compliance and IT risks which the Group considers relevant and material to its business scope and environment.</p> <p>Yes. The Board has received assurance from the CEO and CFO regarding part (i) and (ii).</p>

CORPORATE GOVERNANCE

Guideline / Questions	How has the Company complied?
Risk Management and Internal Controls	
<p>Guideline 12.6</p> <p>(a) Please provide a breakdown of the fees paid in total to the external auditor for audit and non-audit services for the financial year.</p> <p>(b) If the external auditor has 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 auditor.</p>	<p>As at 31 December 2016, the aggregate fees paid/payable to KPMG were S\$653,576 for their external audit services and S\$107,572 for their non-audit services.</p> <p>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 auditor and its affiliates, and the fees paid for such services. For the financial year ended 31 December 2016, the non-audit fees accounted for 14% of total fees paid to KPMG. The ARC has confirmed that the provision of such non-audit services by the external auditor has not affected their independence.</p>
Communication with Shareholders	
<p>Guideline 15.4</p> <p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>Yes. The Management meets with the 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 2016. Perennial also engages with the Shareholders and the Investment Community through phone calls, emails and its corporate website.</p> <p>Yes, Perennial has a dedicated IRCC team which facilitates communication with the Shareholders and the Investment Community and attends to their queries and concerns in a timely manner.</p> <p>Perennial employs various platforms to effectively engage the 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 provides the 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 IRCC team are also listed on Perennial's corporate website to facilitate any queries from Shareholders and the Investment Community.</p>
<p>Guideline 15.5</p> <p>(a) If the Company is not paying any dividends for the financial year, please explain why.</p>	<p>Not applicable. A dividend has been proposed for the financial year ended 31 December 2016.</p>

DISCLOSURE OF CORPORATE GOVERNANCE ARRANGEMENTS

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	114
Guideline 1.4 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	114
Guideline 1.5 The type of material transactions that require board approval under guidelines	114
Guideline 1.6 The induction, orientation and training provided to new and existing directors	114
Guideline 2.3 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	116
Guideline 2.4 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	115
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	116
Guideline 4.1 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	112, 117
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	117
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	117 - 118
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	28-31, 112, 116
Guideline 5.1 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	118
Guideline 7.1 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	112, 119

CORPORATE GOVERNANCE

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report
<p>Guideline 7.3 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</p>	120
<p>Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedures for setting remuneration</p>	120 - 123
<p>Guideline 9.1 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)</p>	121 - 123
<p>Guideline 9.2 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</p>	121
<p>Guideline 9.3 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</p>	123
<p>Guideline 9.4 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</p>	123
<p>Guideline 9.5 Details and important terms of employee share schemes</p>	122, 150 - 151, 193 - 194
<p>Guideline 9.6 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</p>	121 - 122

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report
<p>Guideline 11.3</p> <p>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</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems</p> <p>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 a 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</p>	124 - 125
<p>Guideline 12.1</p> <p>Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board</p>	112, 125
<p>Guideline 12.6</p> <p>Aggregate amount of fees paid to the external auditor for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement</p>	127
<p>Guideline 12.7</p> <p>The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	125
<p>Guideline 12.8</p> <p>Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements</p>	125 - 126
<p>Guideline 15.4</p> <p>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</p>	128
<p>Guideline 15.5</p> <p>Where dividends are not paid, companies should disclose their reasons</p>	Not applicable. A dividend has been proposed for the financial year.