

CORPORATE GOVERNANCE

The board of directors (“**Board**”) and the management team (“**Management**”) of Perennial Real Estate Holdings Limited (the “**Company**”, and together with its subsidiaries, “**Perennial**”) believe in and are firmly committed to observing high standards of corporate governance to ensure the sustainability of Perennial’s businesses and to safeguard the interests of the Company’s shareholders (“**Shareholders**”). Perennial focuses on developing and maintaining sound and transparent policies and practices to reinforce its corporate governance framework and to provide a firm foundation for the growth of a trusted and respected business enterprise.

This report sets out Perennial’s corporate governance practices for the financial period from 28 October 2014 to 31 December 2015 (“**Period**”) with reference to the Code of Corporate Governance 2012 (“**Code**”). Where there are deviations from the principles and guidelines of the Code, an explanation has been provided in this report.

On 10 October 2014, the Shareholders approved the corporate restructuring exercise where the Company was transformed into an integrated real estate owner, developer and manager, focusing mainly on China and Singapore, through the acquisitions of effective interests in several real estate entities and the disposal of the entertainment business. The appointment of a new Board was approved by the Shareholders on the same day.

The corporate restructuring exercise was completed on 27 October 2014 and the new Board together with a new Management team were appointed. Under the directions of the new Board and Management, Perennial shall ensure compliance with the Code, while simultaneously achieving operational excellence and delivering long-term strategic objectives.

THE BOARD’S CONDUCT OF AFFAIRS (GUIDELINE 1)

Guideline 1.1 : Principal role of the Board

The Board oversees the business strategy and direction of Perennial and is collectively responsible for the long-term success of the group. The principal functions of the Board are to:

- provide entrepreneurial leadership and decide on significant matters relating to Perennial’s activities, including decisions on strategic directions and guidelines, approval of business plans and major investment and divestment proposals;

- oversee the business and affairs of Perennial, establish strategic objectives with the Management, and review management performance;
- establish and maintain a guiding framework of prudent and effective controls which in turn enables risks to be assessed, managed and contained in order to safeguard Shareholders’ interests and Perennial’s assets;
- oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and regulatory compliance, and assess the adequacy of such processes;
- establish Perennial’s values and standards (including ethical standards), assume responsibility for corporate governance and ensure that obligations to Shareholders and other stakeholders are understood and carried out;
- identify the key stakeholder groups and recognise that their perceptions affect Perennial’s reputation; and
- consider sustainability issues, e.g. environmental and social factors, as a component of its strategic formulation for Perennial’s businesses.

Guideline 1.2: Discharge of duties and responsibilities

Directors must discharge their duties and responsibilities in the best interests of Perennial at all times and they are expected to make decisions independently and objectively. Each Director brings to the Board his skills, experience, insights and sound judgment, which together with his strategic networks and relationships, serve to further the interests of Perennial. Directors are collectively and individually obliged to act in good faith and in the best interest of Perennial for the creation of long-term value for Shareholders. An annual performance evaluation of the Board is undertaken whereby the Board assesses each Director’s decisiveness and preparedness to take a firm and independent stance on Board matters and Company issues.

Guideline 1.3 : Delegation of authority by the Board

Various board committees, namely the Audit and Risk Committee (“**ARC**”), Nomination Committee (“**NC**”), Remuneration Committee (“**RC**”) and Corporate Disclosure Committee (“**CDC**”) (collectively, the “**Board Committees**”), have been established to assist the Board in discharging its responsibilities in overseeing Perennial’s businesses and enhancing the group’s overall corporate governance. Each Board Committee has been constituted with clear written terms of reference. The terms of reference of the respective Board Committees are disclosed on pages 158 and 159 of this report.

The composition of the Board Committees is structured to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance within Perennial.

Minutes of the Board Committee meetings are circulated to the Board to keep all Directors updated on the activities and decisions of each Board Committee.

Guideline 1.4 : Meetings of the Board

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. To ensure optimal attendance rates, the Company Secretary will consult every Director before fixing the dates of these meetings.

Board meetings are held quarterly for the purpose of approving the release of Perennial’s financial results as well as to deliberate and approve key business strategies and activities. At these Board meetings, the CEO and Management also update the Board on the development and performance of Perennial’s businesses and assets. 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 all the Board Committee meetings. In addition, non-executive Directors are 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.

The number of the Board and the Board Committee meetings held for the Period as well as Directors’ attendance thereat is set out below:

Name of Director	Board Meeting	Audit and Risk Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting
Mr. Kuok Khoon Hong	6	N.A.	N.A.	2
Mr. Ron Sim	6	N.A.	1	N.A.
Mr. Chua Phuay Hee ¹	6	4	N.A.	N.A.
Mr. Eugene Paul Lai Chin Look	6	4	1	2
Mr. Lee Suan Hiang	6	4	1	2
Mr. Ooi Eng Peng ²	3	2	N.A.	N.A.
Mr. Pua Seck Guan	6	N.A.	N.A.	N.A.
Total number of meetings held in the Period	6	4	1	2

Notes:

1. Mr. Chua Phuay Hee stepped down as Chairman of the ARC with effect from 5 February 2016. Mr. Chua chaired all of the ARC meetings that were held during his term as Chairman of the ARC for the Period. He remains as a member of the ARC.
2. Mr. Ooi Eng Peng was appointed as a Director and a Member of the ARC with effect from 28 July 2015. Mr. Ooi has attended all of the Board and ARC meetings held since his appointment as a Director and a Member of the ARC. Mr. Ooi was subsequently appointed as Chairman of the ARC in place of Mr. Chua with effect from 5 February 2016.

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To encourage and ensure optimal participation and contribution from Directors, the Company's Articles of Association allow 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.

Should a Director be unable to attend a Board or Board Committee meeting, he will still be sent the papers 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.

Guideline 1.5 : Internal guidelines for matters requiring Board approval

Perennial has adopted internal guidelines setting forth matters that require the Board's approval, including 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.

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

The Financial Authority Limits undergo regular reviews and updates to ensure operational relevancy with respect to the changing needs within the Company and the group as a whole.

Guidelines 1.6 : Board orientation and training

Guidelines 1.7 : Letter of appointment to Directors

All newly appointed Directors receive formal 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, group

organisation structure and business activities as well as financial performance of Perennial. Site visits are also organised for the Directors to familiarise themselves with Perennial's assets and to better understand Perennial's business operations.

If first-time Directors are appointed, Perennial will provide training in areas such as accounting, legal and industry-specific knowledge as appropriate. Following their appointment, Perennial ensures that 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, so as to keep them updated 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 during specially convened sessions, including training sessions and seminars conducted by external professionals. Perennial's external auditors, KPMG LLP, routinely update the ARC and the Board on new and revised financial reporting standards relevant to Perennial while Ernst & Young Advisory Pte. Ltd., Perennial's internal auditors, also updated the ARC and the Board on regulatory changes regarding risk and governance issues.

BOARD COMPOSITION AND GUIDANCE (GUIDELINE 2)

Guidelines 2.1, 2.2, and 2.3 : Board's independence

The Board presently has seven Directors, comprising one Executive Director and six Non-Executive Directors, of whom, four are Independent Directors. The Code requires independent Directors to comprise at least half of the Board if the Chairman is not an independent Director. The current Board composition complies with the Code, with more than half of the Board consisting of independent Directors.

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. 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.

The composition of the Company's Board and Board Committees, with effect from 27 October 2014, is set out below:

Name of Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Mr. Kuok Khoon Hong	Chairman and Non-Independent Non-Executive Director	N.A.	N.A.	Member
Mr. Ron Sim	Vice-Chairman and Non-Independent Non-Executive Director	N.A.	Member	N.A.
Mr. Chua Phuay Hee	Independent Non-Executive Director	Chairman (From 27 October 2014 to 4 February 2016) Member (with effect from 5 February 2016)	N.A.	N.A.
Mr. Eugene Paul Lai Chin Look	Lead Independent Non-Executive Director	Member	Member	Chairman
Mr. Lee Suan Hiang	Independent Non-Executive Director	Member	Chairman	Member
Mr. Ooi Eng Peng	Independent Non-Executive Director	Member (From 28 July 2015 to 4 February 2016) Chairman (with effect from 5 February 2016)	N.A.	N.A.
Mr. Pua Seck Guan	Chief Executive Officer and Executive Director	N.A.	N.A.	N.A.

The task of reviewing and evaluating the independence of Directors is delegated to the NC. The Board will then determine the independence of Directors, taking into account the evaluation and recommendation by the NC. Annually, each Director is required to complete a Director's Independence Checklist ("**Checklist**") to confirm his independence. 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 not to be independent. The NC reviews the Checklist completed by each Director to determine whether a Director is independent. Newly-appointed Directors are also requested to complete the Checklist to confirm their independence.

For the Period, the NC has affirmed that the independent Directors are Mr. Eugene Paul Lai Chin Look, Mr. Chua Phuay 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.

The Board has, at all times, exercised independent judgment in decision-making, using its collective wisdom and experience to act in the best interests of Perennial.

Any Director who has an interest that may conflict with a subject under discussion by the Board either recuses himself from the information flow and discussion of the subject-matter or declares his interest and abstains from decision-making on the subject-matter.

Guidelines 2.4 : Independence of director who has served the Board for more than nine years

All Directors are newly appointed during the Period. Accordingly, none of the Directors has served on the Board for more than nine years.

Guidelines 2.5 and 2.6 : Board size and composition

The Board, through the NC, reviews from time to time, the size and composition of the Board. 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 a diversity of expertise, skills, perspectives and other attributes in the relevant areas among the Directors.

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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. 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. No individual or small group of individuals dominates the Board's decision-making process.

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. The NC also considers gender diversity as an attribute in strengthening the performance of the Board and the Board Committees. Notwithstanding this, the NC views that while it is important to enhance gender diversity in the Board composition, the appointment of a Director should focus on his/her qualifications 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 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 carrying out this assessment, the NC will take into account that the Board composition should reflect balance in matters such as skill representation, tenure, experience, age spread and diversity before making relevant recommendations for appointment or re-election of the Director to the Board.

Guidelines 2.7 and 2.8 : Role of non-executive Directors

At Board meetings, Directors and the Management openly discuss business strategies, debate over issues as well as assess proposals and performance of Perennial. Board meetings are held in a candid and constructive environment, and Directors make decisions using their collective wisdom while at all times acting in the best interests of Perennial.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (GUIDELINE 3)

Guidelines 3.1 and 3.2 : Separation of roles between Chairman and CEO

The Chairman and Chief Executive Officer ("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 leading the Board and ensuring 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's Chairman, and the strengths he brings to such a role by virtue of his stature and experience. He facilitates the relationship and information flow between the Board, CEO and the Management and engages them in effective and comprehensive discussions on the Board matters, including strategic issues as well as business planning. The Chairman promotes an open environment for deliberation and ensures that the Board and the Board Committee 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 encourages non-executive Directors to speak freely and participate in meaningful and active discussions. He also monitors follow-up to the Board's decisions and ensure that such decisions are translated into executive actions.

In addition, the Chairman promotes a high standard of integrity and corporate governance, and provides leadership, guidance and advice to the Management, particularly with regard to Perennial's growth strategy and project investments. 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 strategy, manages and develops Perennial's businesses and implements the Board's decisions. The current CEO is Mr. Pua Seck Guan and his primary roles include effectively managing and supervising the day-to-day business operations of Perennial, reporting to the Board on all aspects of Perennial's operations and performance, managing and cultivating good relationships with all stakeholders and ensuring effective communication with the stakeholders.

Guidelines 3.3 and 3.4 : Appointment Of Lead Independent Director

Taking cognisance that the Chairman is a non-independent Director, the Board has appointed Mr. Eugene Paul Lai Chin Look as the Lead Independent Director to serve as an intermediary between the independent Directors and the Chairman. The Lead Independent Director acts as a counter-check on management issues in the decision-making process and avails himself to address Shareholders' concerns. He works closely with the independent Directors, and when necessary, meets them without the presence of other Directors or the Management to discuss matters that were deliberated during the Board meetings. 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 the Shareholders.

BOARD MEMBERSHIP (GUIDELINE 4)

Guideline 4.1 : Composition of the NC

The NC is chaired by Mr. Lee Suan Hiang. The other members of the NC are Mr. Eugene Paul Lai Chin Look and Mr. Ron Sim. Except for Mr. Ron Sim, all other members of the NC are independent Directors. Mr. Eugene Paul Lai Chin Look is also the Lead

Independent Director. The NC's terms of reference are set out on pages 158 and 159 of this report.

Guideline 4.2 : Role of the NC

The NC, among other things, makes recommendations to the Board on all the Board and the Board Committee appointments, ensures progressive Board renewal and oversees the Board and senior Management's succession and leadership development plans. The NC also ensures that there is a formal assessment of the effectiveness of the Board as a whole and the contribution of each Director to the Board.

On an annual basis, the NC recommends the performance evaluation of the Board, the Board Committees and the individual Directors, the composition of the Board and the assessment on the independence of the Directors. The performance of each individual Director (including levels of contribution, attendance, preparedness, participation and candour) as well as the expertise and experience that each Director possesses is evaluated by the NC to ensure that diversity and balance are maintained on the Board and the Board Committees.

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 this regard, the NC advises the Board on the re-nomination of Directors, taking into account the performance and contributions of each Director and the needs of Perennial at the relevant time. Pursuant to the Company's Articles of Association, one-third (or, if the number is not a multiple of three, the number nearest to but not greater than one-third) of the Board of Directors, including the CEO who also sits on the Board, are required to retire and are subject to re-election at every AGM of the Company ("**One-third Retirement Rule**"). Retiring Directors are selected on the basis of those who have been longest in office since their last 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.

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At the forthcoming AGM, the Directors standing for re-election pursuant to Article 91 are Mr. Kuok Khoon Hong and Mr. Pua Seck Guan, and Mr. Ooi Eng Peng is standing for re-election pursuant to Article 97. Mr. Kuok is currently the Chairman of the Board and a member of the RC. Mr. Pua is the CEO of Perennial and an Executive Director of the Board. Mr. Ooi was a member of the ARC from 28 July 2015 to 4 February 2016 and subsequently appointed as the Chairman of the ARC with effect from 5 February 2016. All three Directors have indicated their willingness to stand for re-election at the coming AGM.

The NC has nominated and recommended for their re-election at the forthcoming AGM and the Board has endorsed the recommendation.

Guideline 4.3 : Assessment of independence of Directors

Procedures and control mechanisms are in place to ensure that independence of the Directors is actively monitored. Directors submit their declarations of independence annually by completing the Director's Independence Checklist. At the same time, they are also 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 is charged with the responsibility of reviewing and evaluating the independence of each Director. The Board will then, in turn, determine the independence of Directors, taking into account the evaluation performed by NC. For the Period, the Board, together with the NC, has determined that the independent Directors are Mr. Eugene Paul Lai Chin Look, Mr. Chua Phuay Hee, Mr. Lee Suan Hiang and Mr. Ooi Eng Peng.

Guideline 4.4 : Multiple board representations

The NC and the Board are of the opinion 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 view that the maximum number of listed company board representation should be based on a person's capacity. 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. The NC takes into account the effectiveness of the individual Director and his actual conduct on the Board when making this determination.

In the Period, the NC recognises that the Directors have effectively discharged their duties as Director of the Company in their 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 of the Board and Board Committee meetings held in the Period, all Directors were able to participate in all of such meetings to carry out their duties. The NC was therefore satisfied that for the Period, 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.

Guideline 4.5 : Appointment of alternate Directors

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

Guideline 4.6 : Process for selection, appointment and re-appointment of Directors

The NC is responsible for reviewing the succession plans for the Board. In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors. The NC annually reviews the size, composition, skill mix and competencies of the Board members to take stock of the expertise within the Board, and 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 determine the required role and the desirable competencies for the particular appointment.

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 so as 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 criteria and guidelines for appointment of new Directors are as follows:

Background

- Candidates should have good reputation as persons of integrity.

Experience

- Candidates should have core competencies to meet the current or foreseeable needs of the group and complement the skills and competencies of the existing Directors.
- Candidates should have varied experience from different industries to enhance the strength of the Board.
- Candidates should preferably have experience in acting as a director of a listed company.

Independence

- Candidates must be impartial, objective and be flexible and independent in their thinking.
- Candidates must have the courage to voice their independent opinions free from the influence or pressure of other Directors or the Management.

The NC recommends the most suitable candidate to the Board for appointment as a Director. With respect to the annual retirement and re-election of Directors, the NC reviews each of the retiring Director's performance and contributions before making the relevant recommendations to the Board for subsequent Shareholders' approval at the AGM.

Guideline 4.7 : Key information on Directors

All key information on the Directors is set out on pages 33 to 35 of this report.

BOARD PERFORMANCE (GUIDELINE 5)

Guideline 5.1 : Assessment on the effectiveness of Board and Board Committees, and contribution by each Director

Guideline 5.2 : Performance criteria to evaluate Board's performance

Guideline 5.3 : Individual evaluation on Director's contribution

Each year, in consultation with the NC, the Board assesses its performance to identify key areas for improvement and requisite follow-up actions. The NC sets the objective performance criteria for evaluating performance of the Board, the Board Committees and the individual Directors.

To assess the Board's performance, each Director is required to complete a questionnaire on 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 then consolidated, evaluated and presented to the NC for discussion on areas of strengths and weaknesses to improve the effectiveness of the Board and the Board Committees.

In the Period, the NC has developed the questionnaire to ensure a proper assessment on the effectiveness of the Board and the Board Committees. The results of the assessment indicated that the Board functions effectively.

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The NC evaluates the performance and contributions of each individual Director as part of its periodic review of the composition of the Board and the Board Committees. The criteria taken into consideration 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 NC assesses the independence of Directors in the manner set out under Guidelines 2 and 4 above. Based on the evaluation results of the Directors' performance and contributions, the Board, assisted by the NC, determines if changes to the Board composition are necessary.

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. In the Period, no external facilitator has been engaged.

ACCESS TO INFORMATION (GUIDELINE 6)

Guidelines 6.1 : Separate and independent access to Management

Guidelines 6.2 : Adequacy of information provided to the Board

To give Directors sufficient time to prepare for the Board and the Board Committee meetings, the agenda and Board papers for these meetings, including background information, related materials, copies of disclosure documents and financial statements, are sent to all Directors at least five days prior to the date of the relevant meeting.

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 meetings and the Board Committee meetings are provided to all Directors.

Directors receive operational and financial reports on the performance of Perennial on a regular basis. 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. Amongst other reports, the Board is also provided with financial highlights of Perennial's performance, key developments, risk management updates and reports from internal and external auditors on a quarterly basis at the ARC and the Board meetings. The Board is also apprised of any significant developments on Perennial's business initiatives, industry developments, regulatory regime and analysts and press commentaries. In addition to briefings by the CEO and Chief Financial Officer ("CFO") at every Board meeting, Management also attends the Board and the Board Committee meetings to provide insight into matters being discussed and to respond to any questions that the Directors may have. Directors have separate, independent and unrestricted access to the CEO, the Management, Company Secretary and internal and external auditors at all times. Where the situation requires, the Directors are entitled to request for any additional information which will be provided by the Management in a timely manner.

Guideline 6.3 : Separate and independent access to the Company Secretary

Directors have separate and independent access to the Company Secretary.

As a matter of good corporate governance practice, the role of the Company Secretary is clearly defined. The Company Secretary provides secretariat support to the Board and the various Board Committees. She administers and prepares notices and minutes of meeting 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 chairpersons 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 chairpersons of the Board Committees in scheduling the respective meetings. She also advises the Board on all governance matters,

as well as facilitates orientation and professional development of Directors as required. In addition, the Company Secretary assists the Board on Perennial's compliance with the Company's Articles of Association and applicable laws and regulations, including requirements of the 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, the Accounting and Corporate Regulatory Authority and when necessary, the Shareholders.

Guideline 6.4 : Appointment and removal of the Company Secretary

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Guideline 6.5 : Ability to take independent professional advice

Where a Director deems necessary, in the furtherance of the relevant Director's duties, he can seek independent professional advice at Perennial's expense.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (GUIDELINE 7)

Guideline 7.1 : Composition of the RC

Guideline 7.2 : Role of the RC

The RC is chaired by Mr. Eugene Paul Lai Chin Look. The other members of the RC are Mr. Kuok Khoon Hong and Mr. Lee Suan Hiang. All members of the RC are non-executive and independent Directors, save for Mr. Kuok Khoon Hong who is a non-executive and non-independent Director. The RC's terms of reference are set out on pages 158 and 159 of this report.

The primary function of the RC is to ensure a formal and transparent process for developing policies on remuneration matters in the Company and to determine the remuneration packages of individual Directors and key management personnel. The RC aims to build capable and committed management team, through competitive compensation and progressive policies which are aligned to the long-term interests and risk policies of Perennial, and which can attract, retain and motivate a pool of talented employees to drive the growth of Perennial without being excessive.

In addition to the above, the RC performs the following functions:

- (i) Assists the Board to establish a framework of remuneration (which covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, and benefits in kind) and ensure the ongoing appropriateness and relevance of the remuneration policies and other benefit programmes, taking into consideration prevailing economic conditions within similar industries and comparable companies;
- (ii) Reviews and recommends the remuneration package for Directors and key management personnel;
- (iii) Approves any termination payments, retirement payments and other payments of similar nature to key management personnel;
- (iv) Reviews and approves the design of all option plans, share plans and/or other equity based plans; and
- (v) Reviews succession planning for key management personnel and the leadership pipeline in the immediate, medium and longer term.

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.

Guideline 7.3: Appointment of remuneration consultant

The RC has access to expert professional advice on human resource matters whenever there is a need for such external consultation. During the Period, the RC engaged external remuneration consultants, Aon Hewitt Singapore Pte. Ltd., in the determination of the share options to be granted to the eligible employees and Directors under the share option scheme of the Company, also known as the Perennial Employee Share Option Scheme 2014. The RC is satisfied that there is no relationship between Perennial and the appointed remuneration consultants, Aon Hewitt, which would affect the independence and objectivity of the remuneration consultants.

Guideline 7.4: Review of termination clauses in contracts of service

The RC reviews the Company's obligations arising from the employment contracts of executive Directors and key management personnel and noted there were no onerous termination clauses other than the standard clause on notice period for termination.

CORPORATE GOVERNANCE

LEVEL AND MIX OF REMUNERATION (GUIDELINE 8)

Guideline 8.1: Performance-related remuneration

The Company advocates a performance-centric remuneration system that is flexible and responsive to market conditions as well as the performance of the Company and individual employees. Such performance-centric remuneration is linked to the achievement of business and individual performance targets which emphasises both short and long-term quantifiable objectives. The Company has put in place appropriate and meaningful measures to assess the achievement of these performance targets by the individual employee.

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

The remuneration structure also takes into account the risk policies and risk tolerance of Perennial. The RC is of the view that there are adequate risk mitigation features in the Company's remuneration structure and 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 will undertake periodic reviews of compensation-related risks.

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

Guideline 8.2: Short-term and long-term incentive schemes for key management personnel

The remuneration mix for key management personnel comprises four key components: fixed compensation, variable cash compensation, share-based compensation and market-related benefits:

(a) Fixed Compensation

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

(b) Variable Cash Compensation

The variable cash component includes an annual performance incentive that is linked to the achievement of pre-agreed financial and non-financial performance targets for Perennial and individual employees.

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 were granted in the Period pursuant to the Perennial Employee Share Option Scheme 2014 approved and adopted by the Shareholders of the Company on 10 October 2014.

The Perennial Employee Share Option Scheme 2014 was established with the objective of motivating employees of managerial level and above to strive for sustained long-term growth and superior performance in Perennial. It also aims to foster a share ownership culture among employees within the Company and better align employees' incentives with Shareholders' interests.

The share options scheme involves the grant of Market Price share options which are vested and released over four consecutive years at the rate of 25% for each year. The vesting of the first tranche of any such share options will be on the first anniversary of the Date of Grant.

More information on the Perennial Employee Share Option Scheme 2014 can be found in the Directors' Statement from pages 180 to 182 and in the Notes to Financial Statements from pages 228 to 230.

(d) Market-related Benefits

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

Guidelines 8.3 : Remuneration of 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. The Lead Independent Director also receives an additional fee which reflects his greater responsibility.

The fee structure for non-executive Directors for the Period is as follows:

Fee Structure	S\$
Basic Retainer Fee	
Director	50,000
Appointment to Audit and Risk Committee	
Committee Chairman	25,000
Committee Member	15,000
Appointment to Remuneration Committee	
Committee Chairman	10,000
Committee Member	5,000
Appointment to Nomination Committee	
Committee Chairman	10,000
Committee Member	5,000
Appointment as Lead Independent Director	
Lead Independent Director	10,000

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 CEO of the Company, does not receive Director's fees but is remunerated as a member of the Management.

During the Period, all independent non-executive Directors, except Mr. Ooi Eng Peng who was appointed with effect from 28 July 2015, received share options under the Perennial Employee Share Option Scheme 2014. The basis of allocation of the number of share options took into account the Director's roles and responsibilities. The granting of share options to independent non-executive Directors aims to encourage the alignment of interests between these Directors and the Shareholders.

The aggregate Directors' fees for non-executive Directors are subject to Shareholders' approval at the AGM. The Chairman and the non-executive Directors will abstain from voting, and will procure their respective associates to abstain from voting in respect of this resolution for the Directors' fees.

Guideline 8.4 : Reclamation of incentive components of remuneration

The RC is responsible for considering the reclamation of incentive components of remuneration from the executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in a financial loss to the Company. The RC shall look into the implementation of such reclamation of incentive components.

CORPORATE GOVERNANCE

DISCLOSURE ON REMUNERATION (GUIDELINE 9)

Guideline 9.1 : Report to shareholders on remuneration

Guideline 9.2 : Disclosure of remuneration of each Director and CEO

Guideline 9.3 : Disclosure of remuneration of top five key management personnel

The Code encourages the disclosure of the 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 on a named basis.

The details of remuneration for the Directors and CEO for the period from 27 October 2014 to 31 December 2015 are provided in the table below. All Directors were appointed on 27 October 2014 except for Mr. Ooi Eng Peng who was appointed on 28 July 2015.

Directors of the Company	For the period from 27 October 2014 to 31 December 2015				
	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
	%	%	%	%	%
Executive Director Between S\$2,500,000 to S\$2,600,000					
Mr. Pua Seck Guan	57.1	42.9	Please see Note 1	–	100
Non-Executive Directors Between S\$100,000 to S\$199,000					
Mr. Eugene Paul Lai Chin Look	–	–	Please see Note 1	100	100
Up to S\$99,999					
Mr. Kuok Khoon Hong	–	–	–	100	100
Mr. Ron Sim	–	–	–	100	100
Mr. Chua Phuay Hee	–	–	Please see Note 1	100	100
Mr. Lee Suan Hiang	–	–		100	100
Mr. Ooi Eng Peng	–	–		100	100

Note 1:

The above remuneration bands exclude the grant of share options to Directors under the Perennial Employee Share Option Scheme 2014. The Share Plan was approved by Shareholders at an Extraordinary General Meeting held in October 2014 and is administered by the RC. Where applicable, the executive Director and independent Directors had abstained from the review and recommendation process in respect of their own share option award allocation.

Share options were granted during the year, to be vested from FY2016 onwards. Fair value of vested shares will be declared on their vesting in the remuneration disclosure for FY2016, where applicable.

In relation to the key management personnel, the Company noted that the Code recommends that at least the top five key management personnel's remuneration be disclosed. After careful consideration, the Board believes that such disclosure would be disadvantageous to Perennial's business interests, taking into consideration the competitive pressures in the talent market. The Company believes that in view of the competitive human resource environment and to support the Company's effort in attracting and retaining executive

talents, it should maintain confidentiality on employee remuneration matters.

For these reasons, the Company is only disclosing the remuneration in percentage terms in bands of S\$100,000 for the Period. The Board is of the opinion that the information disclosed would be sufficient for the Shareholders to have an adequate appreciation of the Company's compensation policies and practices.

Remuneration Bands	No. of Executives	For the period from 28 October 2014 to 31 December 2015			
		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
		%	%	%	%
S\$700,000 - S\$799,000	1	62.3	37.7	Please see Note 1	100
S\$500,000 - S\$599,000	2	73.3	26.7		100
S\$400,000 - S\$499,000	2	77.6	22.4		100
S\$300,000 - S\$399,000	1	97.5	2.5		100

Note 1:

The above remuneration bands exclude the grant of share options to staff under the Perennial Employee Share Option Scheme 2014. The Share Plan was approved by the Shareholders at an Extraordinary General Meeting held in October 2014 and is administered by the RC.

Share Options were granted during the year, to be vested from FY2016 onwards. Fair value of vested shares will be declared on their vesting in the remuneration disclosure for FY2016, where applicable

The aggregate remuneration paid to the top six key management personnel of the Company (excluding the CEO) for the Period was S\$3,088,528.27.

In the Period, there were no termination, retirement or post-employment benefits granted to Directors, the CEO and key management personnel. There were also no special retirement plan, 'golden parachute' or special severance packages given to the key management personnel.

Guideline 9.4: Remuneration of related employees

The Company does not have any employee who is an immediate family member of a Director or the CEO for the Period. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent.

Guideline 9.5: Employee shares scheme

Details on the Perennial Employee Share Option Scheme 2014 can be found in the Directors' Statement from pages 180 to 182 and in the Notes to Financial Statements from pages 228 to 230.

Guideline 9.6: Disclosure on link between performance and remuneration

The RC ensures that the remuneration structure is strongly linked to the achievement of corporate and individual performance targets while maintaining high flexibility and responsiveness to the market conditions and Perennial's performance. The performance targets as determined by the RC each year are set at realistic yet enhanced levels to motivate a high degree of performance with emphasis on both short and long-term objectives.

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The short-term incentive is primarily a remuneration-based performance incentive that is linked to the achievement of pre-agreed financial and non-financial performance targets for Perennial and the individual employees. Company-wide performance targets are dependent on factors such as business performance 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. The short-term performance incentive aims to improve collaboration and ownership across the group to achieve shared operational and financial growth targets.

Long-term incentives consist of share options that were granted based on the achievement of corporate and individual performance targets. Vesting of these share options will be over a four-year period. Such long-term remuneration is a retention tool and is aligned with the interests of the Shareholders and promotes long-term success of the Company and the group as a whole. More information on the Perennial Employee Share Option Scheme 2014 can be found in the Directors' Statement from pages 180 to 182 and in the Notes to Financial Statements from pages 228 to 230.

ACCOUNTABILITY (GUIDELINE 10)

The Board is responsible for and committed to present a balanced, transparent, and understandable assessment of the Company's and the group's performance, positions and prospects to the Shareholders at all times. Perennial believes in conducting itself in ways that seek to deliver sustainable value to its Shareholders.

Guideline 10.1: Extension of the Board's responsibility

Perennial presents a balanced and clear assessment of its performance, position and prospects to Shareholders through the timely release of its quarterly and annual financial reports. Perennial believes that prompt compliance with statutory reporting requirements is imperative to maintaining Shareholders' confidence and trust in the group. In line with 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.

Guideline 10.2 : Adequacy in ensuring legislative and regulatory compliance

The Board ensures that it is updated regularly on relevant changes to laws and regulations so that it can monitor and supervise adequate compliance by Perennial with such laws, regulations and requirements of regulatory and governmental authorities. Changes to accounting standards and accounting issues which have a direct impact on the financial statements are reported to the ARC, and highlighted by the external auditors in their quarterly reviews with the ARC.

Guideline 10.3 : Monthly provision of information

Directors receive operational and financial reports on the performance of Perennial on a regular basis, which includes key performance indicators, variance analyses, property updates, strategic and business highlights and key developments. Where the situation requires, the Directors are entitled to request for any additional information which will be provided by the Management in a timely manner.

RISK MANAGEMENT AND INTERNAL CONTROLS (GUIDELINE 11)

Guideline 11.1 : Determination of risk tolerance and risk policies

Risk management is an integral part of the manner in which Perennial manages and runs its businesses. The Board has overall responsibility for the governance of Perennial's risk management and internal controls. The Board and the Management are fully committed to maintaining sound risk management and internal control systems to safeguard the Shareholders' interests and Perennial's assets.

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 its day-to-day operations at the Company and group levels. All major investments and projects undergo a comprehensive due diligence and risk management review process. The Board sets the overall strategic direction, governs the risk management strategy and framework, and determines the risk tolerance levels 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 levels as well as any potential emerging risks that Perennial may face.

Guideline 11.2: Review of adequacy and effectiveness of risk management and internal control systems

The ARC assists the Board in fulfilling its oversight responsibility pertaining to Perennial's risk policies, risk profile, internal controls and the effectiveness of Perennial's risk management and internal control systems. In doing so, the ARC regularly reviews the key organisational risks and the robustness of Perennial's risk management systems.

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. Perennial has implemented a comprehensive enterprise risk management (“ERM”) framework which lays out the governing policies, processes and systems to identify key risks for deliberation by the Management and the findings, together with proposals to manage the risks, are reported to the ARC and the Board on a regular basis. The ERM framework, which is largely derived from the ISO 31000 Risk Management – Principles and Guidelines (2009), enables Perennial to deal with business opportunities and uncertainties by identifying key risks and enacting the appropriate mitigating plans and actions.

Under the ERM framework, Perennial's risk profile is reviewed and updated annually. 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 annually by the Management and presented to the ARC and the Board.

Once the risks are prioritised and key risks are identified, preventive and mitigating measures (collectively defined as “controls”) will be developed and implemented. Such key risks are also consolidated at group level for risk monitoring by the Management as well as at the asset level. Managers at the asset level are required to periodically review the effectiveness of the controls implemented, and initiate necessary changes as the risk profile of the relevant asset changes.

Perennial has also established risk tolerance levels and key risk indicators to measure and monitor risk exposures for the key risks. 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. Quarterly, 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.

The system of risk management is reviewed and, where appropriate, refined regularly by the Management, the ARC and the Board.

Internal Controls

Supporting the ERM framework is a system of internal controls, comprising group-wide governance and internal control policies, procedures and guidelines which dictates the 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 regularly for continuous improvement and strengthening of controls.

Internal auditors and external auditors conduct audits that involve testing the effectiveness of the material internal controls, covering the areas of financial, operational, compliance and information technology (“IT”). Any material non-compliance or lapses in internal controls, together with corrective measures recommended by internal auditors and external auditors, are reported to and reviewed by the ARC. The adequacy and effectiveness of the measures taken by the Management in response to the recommendations made by the internal auditors 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.

CORPORATE GOVERNANCE

The key elements of Perennial's system of controls to manage financial, operational, compliance and IT risks are as follows:

A. Policies and Governance

Perennial has a well-defined operating structure with clearly established lines of responsibility and delegated authority, as well as proper reporting mechanisms to both the Management and the Board, thus providing good visibility on the control measures adopted by Perennial.

Internal controls are detailed in formal and clearly stipulated procedures, policies and manuals. Such policies and procedures govern financial, operational and compliance matters, and are reviewed and updated periodically. Perennial's internal audit function verifies compliance with these internal controls. Perennial's Employee Code of Conduct identifies values and practices which all employees of Perennial are expected to adhere to.

B. Financial and Management Reporting

Management reviews on a monthly basis the performance of each asset to instill a high level of financial and operational discipline within Perennial. Key financial risks (such as liquidity risk) which Perennial is exposed to, are managed by a centralised finance and treasury function for effective and coordinated oversight.

The Board is regularly updated on Perennial's performance through the provision of operational and financial reports. These reports provide explanations for significant variances of financial performance. Where relevant, these financial reports are also supplemented with additional information to highlight key operational and financial performance indicators.

Perennial's financial results are reported to the Shareholders on a quarterly basis, in accordance with the requirements of the SGX-ST. These results announcements provide analyses of significant variances in financial performance. Detailed disclosure and analyses of the full year financial performance of Perennial are covered in the Annual Report.

C. Information Technology Management

The Management has established the mandate that it is the responsibility of every employee to understand as well as to pre-empt and manage IT risks in the course of their employment. In governing IT-related risks, Management has put in place a process to manage IT security and data recovery risks. A suite of protection systems against IT security vulnerabilities, such as hacking and cyber-attack incidents, have also been implemented. In addition, Perennial's IT infrastructure is equipped with firewall protection, including intrusion prevention systems, application control, web-filtering and gateway anti-virus, email security gateway and endpoint security, including anti-virus and anti-malware software.

To provide assurance on IT compliance, annual internal audits are conducted on the IT processes and systems. Any potential risks or lapses identified are highlighted to the Management, the ARC and the Board for necessary actions and further monitoring.

D. Fraud Risk Management

The Management and the Board take a serious view on promoting an anti-fraud culture. Non-compliance with Perennial's policies, procedures and Employee Code of Conduct are strictly dealt with. Anti-fraud controls such as segregation of duties, access controls, new vendor evaluations and appropriate key performance indicators are implemented and vigorously observed. Internal audits are also regularly carried out to independently evaluate the design and operating effectiveness of these anti-fraud controls.

A Whistle-blowing policy and its reporting channel have been established for employees and external parties to report on probable improprieties and suspected wrongful activities without fear of reprisal. Please refer to details set out below on the "Whistle-blowing Programme" in pages 140 to 141 of this report.

Guideline 11.3 : Board's opinion on the adequacy and effectiveness of risk management and internal control systems.

The Board recognises the importance of a robust risk management and internal control system to safeguard the assets of Perennial and the Shareholders' interests. The Board affirms its overall responsibility for Perennial's systems of risk management and internal control, and for reviewing the adequacy and integrity of these systems.

For the Period, the Board has received assurance from the CEO and CFO that financial records of Perennial have been properly maintained, that the financial statements for the financial period ended 31 December 2015 give a true and fair view of Perennial's operations and financial results and that the internal controls (including financial, operational, compliance and IT controls) and risk management systems of Perennial are adequate and effective in addressing the 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, reviews performed by the Management and 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 were adequate and effective as at 31 December 2015 to address the financial, operational, compliance and IT risks of the group.

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

Guideline 11.4 : Establishment of a separate Board Risk Committee

The Board delegates the responsibility of overseeing Perennial's risk management framework and policies, risk profile and the effectiveness of Perennial's risk management system to the ARC. In discharging this responsibility, the ARC regularly reviews the key organisational risks and the robustness of Perennial's risk management systems to assess the adequacy and effectiveness of the risk management policies and systems. The ARC also determines the nature and extent of the significant risks which the Board is willing to assume in achieving Perennial's strategic objectives.

AUDIT COMMITTEE (GUIDELINE 12)

Guideline 12.1 : Composition of the ARC

Guideline 12.2 : Qualification of the ARC

For the Period, the ARC was chaired by Mr. Chua Phuay Hee and other members of the ARC were Mr. Eugene Paul Lai Chin Look, Mr. Lee Suan Hiang and Mr. Ooi Eng Peng. With effect from 5 February 2016, Mr. Chua Phuay Hee stepped down as Chairman of the ARC and Mr. Ooi Eng Peng was appointed as the Chairman. Mr. Chua remains as a member of the ARC.

All members of the ARC are independent non-executive Directors. Mr. Chua Phuay Hee and Mr. Ooi Eng Peng have the relevant accounting and related financial management expertise and experience. The Board considered that Mr. Eugene Paul Lai Chin Look and Mr. Lee Suan Hiang have sufficient financial management knowledge and experience to discharge their responsibilities as ARC members. The ARC's terms of reference are set out on pages 158 and 159 of this report.

Guideline 12.3 : Authority of the ARC

The ARC has full access to the Management, 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, and in implementing or carrying out all requests made by the ARC. The ARC also has direct access to the internal auditors and external auditors, and has full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal auditors and external auditors are given unrestricted access to the ARC.

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The ARC met four times during the Period and the Chairman and Vice-Chairman are invited to attend the ARC meetings. The CEO, CFO, Company Secretary, internal and external auditors as well the other Management staff attended these ARC meetings. In addition, whenever necessary, other employees of the group 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.

Guideline 12.4 : Role of the ARC

The ARC is guided by its terms of reference which will be reviewed periodically to ensure relevancy and compliance with good corporate governance and best practices.

In particular, the role of the ARC includes:

- reviewing the quarterly, half-year and full year results announcements, accompanying press releases and presentation slides, as well as the financial statements of the group and the adequacy and accuracy of information disclosed prior to submission to the Board for approval;
 - reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the group and any announcements relating to Perennial's financial performance;
 - reviewing the adequacy and effectiveness of Perennial's internal controls, including financial and accounting, operational, compliance and IT controls, and risk management systems;
 - reviewing the effectiveness and adequacy of internal audit function, scope and results of the audit reviews and internal audit reports;
 - reviewing the scope and results of the external audit, the audit reports and the independence and objectivity of the external auditors;
 - monitoring Perennial's compliance with laws and regulations, particularly those of the Companies Act and the SGX-ST Listing Manual;
 - reviewing the arrangements 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 action; and
- overseeing the procedures established to regulate interested person transactions and ensuring the compliance of such transactions with the Listing Manual.

Guideline 12.5 : Meetings with external and internal auditors

During the Period, the ARC met with the external auditors and internal auditors, 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.

Guideline 12.6 : Review of independence of external auditors

The external auditor for the Period is KPMG LLP.

For the Period, the ARC has also reviewed and is satisfied with the standard of the external auditors' work. Additionally, having reviewed the nature, extent and volume of non-audit services provided to Perennial by the external auditors and its affiliates, and the fees paid for such services, the ARC is satisfied that the provision of such services has not prejudiced the external auditors' independence and objectivity. As at 31 December 2015, the aggregate fees paid/payable to KPMG were S\$623,464 for their external audit services and S\$201,015 for their non-audit services.

The ARC has recommended the re-appointment of the external auditors at the forthcoming AGM. The Company confirms that it complies with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditors.

Guideline 12.7 : Whistle-blowing policy and procedures

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 report suspected fraud, corruption, dishonest practices or

other probable improprieties in the workplace. 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 taken.

The Whistle-blowing Policy will be reviewed by the ARC annually and is in place to encourage good faith reporting of any suspected improper conduct whilst protecting the whistleblowers from reprisals within the limits of the law. The Whistle-blowing Policy and procedures are communicated via emails to all employees and also posted on Perennial's corporate website. The secured and protected whistle-blowing 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 Period, no whistle-blowing report was received.

Guideline 12.8 : Disclosure of ARC's activities

During the Period, the ARC examined and reviewed the following items:

- the quarterly and half-year results announcements and financial statements prior to approving or recommending their release to the Board, as applicable;
- key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials;
- the risk management framework, risk profile, risk tolerance levels, identified key risks and their controls, key risk indicators, risk exposures and the risk management action plans to be implemented;
- the reports from external and internal auditors to assess the adequacy and effectiveness of Perennial's internal controls;

- the annual audit plan of the external and internal auditors and their independence and objectivity;
- the re-appointment of external and internal auditors and their remuneration and terms of engagement; and
- the list of interested person transactions and non-audit services rendered by the external auditors.

For the Period, the ARC has reviewed the Whistle-blowing Policy and met with external and internal auditors without the presence of the Management. The ARC has also taken active measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements. The external auditors also highlighted changes in accounting standards and issues during their quarterly reviews with the ARC.

Guideline 12.9 : Exclusion from being member of the ARC

No former partner or director of Perennial's existing auditing firm, KPMG LLP, 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 (GUIDELINE 13)

Guideline 13.1 : Independence of the internal audit function

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 ensuring that Perennial maintains a sound system of internal controls and their continued effectiveness through regular monitoring and evaluation of key controls and procedures.

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 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 Period, the ARC has reviewed and approved the appointment of EY and the fees payable to EY.

CORPORATE GOVERNANCE

Guideline 13.2 : Adequacy in resources and appropriateness in the standing of the internal audit function

Guideline 13.3 : Qualification and experience of internal auditors

Guideline 13.4 : Internal audit standards

Guideline 13.5 : Review of the adequacy and effectiveness of the internal audit function

The annual internal audit plans are reviewed and approved by the ARC. 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 internal controls of Perennial. Such significant controls comprise financial, operational, compliance and IT controls.

All internal audit reports are submitted to the ARC for deliberation, with copies of these reports extended to the CEO and relevant Management for prompt corrective actions, as recommended. At the quarterly ARC meetings, EY also presents a summary of findings, recommendations and updates on management actions taken.

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 Standards for the Professional Practice of Internal Auditing established by The Institute of Internal Auditors.

On an annual basis, the ARC also undertakes a review to assess the adequacy and effectiveness of the internal audit function. For the Period, the ARC, having reviewed the Audit Plan, internal audit reports and quality and standard of the internal auditors' work performed for the Period, is satisfied with the adequacy and effectiveness of EY being its internal auditor. It is also satisfied that EY, as Perennial's internal auditor, is adequately resourced and is independent of the activities it audits.

SHAREHOLDER RIGHTS (GUIDELINE 14)

Guideline 14.1 : Disclosure of information to Shareholders

Perennial is committed to ensuring 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. Perennial engages the Shareholders and the analysts, fund managers, media and various stakeholders (together, the "**Investment Community**") through various platforms including phone calls, e-mail communications as well as publication content on Perennial's corporate website (<http://www.perennialrealestate.com.sg>). The CEO and the Management also attended investors' conferences and seminars which were held during the Period, as part of the engagement with the Shareholders and the Investment Community.

Perennial treats all its Shareholders fairly and equitably, and does not practise selective disclosure. If in any instance where unpublished price sensitive information is inadvertently disclosed, they are immediately released to the public via SGXNET and Perennial's corporate website.

The Board has established a CDC comprising Mr. Chua Phuay Hee and Mr. Pua Seck Guan. With effect from 5 February 2016, Mr. Chua Phuay Hee stepped down from the CDC and Mr. Ooi Eng Peng was appointed. 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.

Guideline 14.2 : Shareholders' participation and voting rights at general meetings

All of the Shareholders are invited to attend, participate effectively in and vote at the general meetings of the Shareholders. The Shareholders are informed of the general meetings, together with the relevant rules and voting procedures of such meetings, through notices published in the local newspaper, reports or circulars sent to all of the Shareholders as well as via SGXNET and Perennial's corporate website. These notices are provided promptly to the Shareholders well within the stipulated timeline.

Details and matters that require the Shareholders' consideration and approval are also clearly

documented in the Annual Report or circulars to allow the Shareholders to participate and vote effectively at the general meetings.

Guideline 14.3 : Appointment of proxies

To encourage greater Shareholders participation in the general meetings, the Shareholders are provided with the option of appointing multiple proxies to attend the general meetings to vote on his/her behalf.

COMMUNICATION WITH SHAREHOLDERS (GUIDELINE 15)

Guideline 15.1 : Investor relations policy

Perennial is committed to regular, effective, fair, timely and transparent communication with its Shareholders and the Investment Community. To uphold these commitments, Perennial has a dedicated investor relations and corporate communications team that reports to the CEO to effectively execute the group's investor relations and corporate communications policy which is published on Perennial's corporate website.

Guideline 15.2 : Timely disclosure of information

Perennial is committed to disclosing material and price sensitive information on a timely, comprehensive and accurate manner through SGXNET and Perennial's corporate website. In the event that unpublished material information is inadvertently disclosed to any selected group of stakeholders, an announcement of the same disclosure will be released as promptly as possible to the public via SGXNET. A dedicated investor relations section on Perennial's corporate website provide 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, and stock-related information.

Guideline 15.3 : Regular dialogue with Shareholders

Guideline 15.4 : Steps taken to solicit and understand Shareholders' view

The Management meets with the Shareholders and the Investment Community regularly to communicate Perennial's strategic business plans and operating performance, share latest corporate and industry developments, and gather their views and feedback. The Management also addresses queries from the Shareholders and the Investment Community via phone calls and emails. Such regular 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. The contact details of the investor relations and corporate communications team are listed on Perennial's corporate website and disclosed in this report.

Guideline 15.5 : Dividend payment policy

Perennial has a stated policy on the payment of dividends 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. For every dividend declaration made, the Shareholders will be notified via announcement made through SGXNET.

CONDUCT OF SHAREHOLDERS' MEETINGS (GUIDELINE 16)

Guideline 16.1 : Shareholders' opportunity to participate and vote at general meetings

Perennial fully supports active Shareholders' participation at AGMs and Extraordinary General Meetings ("EGM") and views such general meetings as important engagement sessions with the Shareholders. All Shareholders are invited to attend and participate in Perennial's general meetings. The Annual Report and Notice of AGM are despatched to all of the Shareholders at least 14 days prior to the AGM to give them ample time to review the documents. Notices of general meetings of the Shareholders are also published in the local newspaper, released via SGXNET and posted on Perennial's corporate website. The Notice of AGM, where relevant, may include explanatory notes or a circular on items of special business. The Annual Report is also available to all of the Shareholders for download on Perennial's corporate website.

Perennial may consider other voting methods which are permissible under the applicable laws and regulations, and in doing so, it shall evaluate to ensure that there is no compromise to the integrity of the information and the proper authenticity of the Shareholders' identities.

CORPORATE GOVERNANCE

Guideline 16.2 : Separate resolutions at general meetings of Shareholders

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.

Guideline 16.3 : Attendance of Directors and other key persons at general meetings of Shareholders

The Board Chairman, Chairperson 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 auditors, KPMG LLP, external legal advisors and human resource consultants (where applicable) are also invited to attend general meetings and will assist the Board and the Management in addressing queries from the Shareholders relating to the conduct of the external audit, the preparation and content of the auditors' report or the remuneration of the Directors.

The Shareholders also have the opportunity to communicate, discuss and interact with the Board and the Management after the general meetings.

Guideline 16.4 : Minutes of general meetings of Shareholders

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. These minutes are made available to the Shareholders upon their request.

Guideline 16.5 : Voting by poll

Perennial has conducted voting in its EGM in October 2015 by way of poll and 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. 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 detailed AGM results will also be made in a timely manner via SGXNET after the meeting.

DEALINGS IN SECURITIES

Perennial adopts a trading policy based on the SGX-ST's best practices on dealing in securities. 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 quarters of its financial period and, (iii) during the one month preceding, and up to the time of announcement of, Perennial's results for the full financial period/year.

Directors and employees of Perennial are also refrained from dealing in the Company's securities on short-term considerations. They are also routinely 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.

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.

An audit on IPT is also incorporated into Perennial's annual internal audit plan. Information on IPT for the Period may be found in the supplemental information on page 257 in this report.

CG CODE DISCLOSURE GUIDE

Guideline	Questions	How has the Company complied?
<p>General</p>	<p>a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes, the Company has complied with all principles and guidelines of the Code in all material aspects. To the extent that there are deviations, explanations have been provided in the report and alternative practices have been adopted by the Company.</p> <p>(i) 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 a person's capacity. 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 doing the assessment, the NC takes into account the effectiveness of the individual Director including his conduct and contribution to the Board as well as his attendance at the Board meetings to ensure that sufficient time and attention have been given to the affairs of the group.</p> <p>(ii) Guideline 8.4 The RC shall look into the implementation of such reclamation of incentive components.</p> <p>(iii) Guideline 9.3 Due to the competitive pressures in the talent market and to support the Company's effort in attracting and retaining executive talents, the Company has decided to maintain the confidentiality on employee remuneration matters.</p> <p>For these reasons, the Company is only disclosing the remuneration of the key management personnel in percentage terms in bands of S\$100,000 for the Period. The Board is of the opinion that the information disclosed would be sufficient for the Shareholders to have an adequate appreciation of the Company's compensation policies and practices.</p>

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
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) 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 annually reviews the size, composition, skill mix and competencies of the Board to take stock of the expertise within the Board, and identify the Board's current and future needs. 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 determine the required role and the desired competencies for a particular appointment.

Guideline	Questions	How has the Company complied?
Members of the Board		
Guideline 2.6	<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 has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The Board was reconstituted in October 2014 following the RTO of St James Holdings Limited whereby the Company was transformed into an integrated real estate owner, developer and manager. The existing Board now comprises Directors with real estate knowledge as well as legal and finance experience. 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 Company and industry.</p> <p>The NC also considers gender diversity in the Board composition and is of the view that while it is important to enhance gender diversity, the appointment of a Director should focus on his/her qualifications and capabilities as well as the effective blend of competencies, skills, experience and knowledge of the Board as a whole.</p> <p>Annually, the NC will advise the Board on the re-nomination of Directors, taking into account the performance and contributions of each Director and the needs of Perennial at the relevant time. 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>Please refer to Guideline 4.6 for more details.</p>

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<p>The new Board and the Board Committees comprising six Directors were reconstituted on 27 October 2014 following approval by the Shareholders at the EGM on 10 October 2014.</p> <p>During the Period, one new Director, Mr. Ooi Eng Peng, was appointed on 28 July 2015. The NC has reviewed Mr. Ooi's qualifications and work experience and also met with him. Having been satisfied that Mr. Ooi has the relevant qualifications and extensive experience in the property industry and fund management business, coupled with his strong finance background, the NC recommended his appointment as a director to the Board as well as a member of the ARC.</p> <p>As all Directors are newly appointed during the Period, there was no re-election of any incumbent director during the said period.</p>
Guideline 1.6	<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.</p> <p>The induction programme for new Directors include briefings on board policies and processes, overall strategic plans and direction for Perennial, its business activities, financial performance, organisation structure, regulatory environment and corporate governance practices.</p> <p>All existing Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to 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?
Guideline 4.4	<p>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?</p> <p>b) If a maximum number has not been determined, what are the reasons?</p> <p>c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>Not applicable. The Company has not prescribed a maximum number of listed company board representations for its Directors.</p> <p>The Board is of the view that the maximum number of listed company board representation should be based on a person's capacity.</p> <p>The NC conducts an annual assessment on the effectiveness of the Directors and their actual attendance, contributions and conduct on the Board, to determine whether a Director, who has multiple board representations and other principal commitments, is able to and has been adequately carrying out his duties as a Director.</p>
Board Evaluation		
Guideline 5.1	<p>a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>b) Has the Board met its performance objectives?</p>	<p>Each Director is required to complete a questionnaire on 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, the 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 then consolidated, evaluated and presented to the NC for discussion on areas of strengths and weaknesses to improve the effectiveness of the Board and the Board Committees.</p> <p>Yes</p>

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Independence of Directors		
Guideline 2.1	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	<p>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.</p> <p>b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	<p>No. There is no such Director.</p> <p>Not applicable.</p>
Guideline 2.4	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.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	Yes.
Guideline 9.3	<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>The Company has disclosed the remuneration of its key management personnel in bands of S\$100,000. However, due to competitive pressures in the talent market and to support the Company's efforts in attracting and retaining executive talents, the Company has decided to maintain confidentiality on other details of the employee remuneration matters.</p> <p>Aggregate remuneration paid to the top six key management personnel of the Company is S\$3,088,528.27.</p>

Guideline	Questions	How has the Company complied?
Guideline 9.4	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.	No. There is no such employee.
Guideline 9.6	<p>a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>The total remuneration mix comprises four key components: fixed compensation, variable compensation, share-based compensation and market-related benefits. The fixed component comprises the base salary, which is determined by benchmarking against similar and comparable industries. The variable compensation is tied to the Company's and individual employee's performance. The share-based compensation refers to the Employee Share Option Scheme 2014 approved by the Shareholders. The Employee Share Option Scheme 2014 is a long-term incentive plan whereby share options are granted based on the achievement of corporate and individual performance targets.</p> <p>The compensation structure is directly linked to the achievement of performance targets for the Company and individual employees, with emphasis on both short and long-term objectives. The short-term incentives are based on the fulfilment of corporate targets involving business performance, operational growth and value creation 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.</p> <p>Yes. The RC is satisfied that the quantum of performance-related bonuses and the value of share options granted and vested under the Employee Share Option Scheme 2014 was fair and appropriate, taking into account the extent to which their performance conditions for the Period were met.</p>

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 6.1	<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>Perennial has instituted processes to ensure that the non-executive Directors are well supported by accurate, complete and timely information, and have unrestricted access to the Management.</p> <p>Directors are kept informed of potential developments or material prospective deals ahead of the formal board meeting where approval is sought.</p> <p>Directors are also provided with operational and financial reports on the performance of Perennial on a regular basis and as the Board may require from time to time. 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. Amongst other reports, the Board is also provided with financial highlights of Perennial's performance, key developments, risk management updates and reports from internal and external auditors on a quarterly basis at the Board meetings.</p>
Guideline 13.1	<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?
<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.</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, checks and balances embedded in business processes and the regular audits, monitoring and reviews performed by the internal and external auditors. The Board concurred with this view.</p> <p>The ARC is also satisfied that the risk management systems implemented by Perennial are adequate and effective. Perennial has implemented the ERM framework and policies whereby the group has identified the key risks and regularly monitored and reviewed such key risks and risk exposures and kept the Management and the Board informed of the assessment of the risk exposures and actions taken. The Board concurred with this view.</p> <p>Yes.</p>

CORPORATE GOVERNANCE

Guideline	Questions	How has the Company complied?
Guideline 12.6	<p>a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>As at 31 December 2015, the aggregate fees paid/payable to KPMG were S\$623,464 for their external audit services and S\$201,015 for their non-audit services.</p> <p>An assessment was carried out by the ARC on the nature, extent and volume of the non-audit services provided by the external auditors and its affiliates, and the fees paid for such services. For the Period, non-audit fees accounted for 32% of total audit fees. The ARC has confirmed that the provision of such non-audit services by the external auditors would not affect their independence.</p>
Communication with Shareholders		
Guideline 15.4	<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 regularly to communicate Perennial's strategic business plans and operating performance, share latest corporate and industry developments, and gather their views and feedback. The Management also addresses the Shareholders' and the Investment Community's queries via phone calls and emails.</p> <p>Yes, Perennial has a dedicated investor relations team which facilitates active engagement and effective communication with the Shareholders on a regular basis.</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 Perennial's corporate website. The CEO and the Management also attended investors' conferences and seminars to engage with the Shareholders and the Investment Community as well as gather their views, feedback and concerns.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	A dividend has been declared for the Period.

DISCLOSURE OF CORPORATE GOVERNANCE ARRANGEMENTS

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report	Our compliance
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	122 to 123	√
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	123	√
Guideline 1.5 The type of material transactions that require board approval under guidelines	124	√
Guideline 1.6 The induction, orientation and training provided to new and existing directors	124	√
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	124 to 125	√
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	125	No
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members	126	Not Applicable
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	127, 158 to 159	√
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	128	The Board is of the view that the maximum number of listed company board representation should be based on a person's capacity.
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	128 to 129	√
Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	33 to 35	√

CORPORATE GOVERNANCE

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report	Our compliance
<p>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</p>	129 to 130	√
<p>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</p>	131, 158 to 159	√
<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>	131	√
<p>Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration</p>	134 to 136	√
<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 postemployment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)</p>	134 to 135	√
<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>	134	√
<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>	135	<p>The Company has disclosed the remuneration of its key management personnel in bands of S\$100,000. However, due to competitive pressures in the talent market and to support the Company's efforts in attracting and retaining executive talents, the Company has decided to maintain confidentiality on other details of the employee remuneration matters.</p>

Relevant Guideline or Principle (as per Code of Governance 2012)	Page Reference in this report	Our compliance
<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>	135	Not Applicable
<p>Guideline 9.5 Details and important terms of employee share schemes</p>	180 to 182, 228 to 230	√
<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>	135	√
<p>Guideline 11.3 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 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>	139	√
<p>Guideline 12.1 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>	139, 158 to 159	√
<p>Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement</p>	140	√
<p>Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	140 to 141	√
<p>Guideline 12.8 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>	141	√
<p>Guideline 15.4 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>	143	√
<p>Guideline 15.5 Where dividends are not paid, companies should disclose their reasons</p>	143	A dividend has been declared for the financial period under review.

CORPORATE GOVERNANCE

APPENDIX 1

BOARD COMMITTEES – SUMMARY TERMS OF REFERENCE

A. Audit and Risk Committee

- i. Monitor and evaluate the adequacy and effectiveness of the Company's internal controls.
- ii. Review significant financial reporting issues and judgements, financial statements and internal audit reports.
- iii. Review the system of internal controls including financial, operational, compliance and IT controls and risk management processes.
- iv. Review, on an annual basis, the adequacy and effectiveness of the internal audit function.
- v. Review the appointment of external auditors and the adequacy of external audits in respect of cost, scope and performance.
- vi. Review the scope and results of external audit and, on an annual basis, the independence and objectivity of the external auditors.
- vii. Review the appointment, re-appointment or removal of external and internal auditors (including the review of their fees and scope of work).
- viii. Meet with external and internal auditors, without the presence of the executive officers, at least on an annual basis.
- ix. Review the nature and extent of non-audit services performed by external auditors.
- x. Establish and review the whistle-blowing policy and arrangements by which staff of the company and any other persons 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 action.
- xi. Ensure that the internal audit and accounting function is adequately resourced and has appropriate standing with the Company.
- xii. Monitor the procedures in place to ensure compliance with applicable legislation and the Listing Manual.
- xiii. Review external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management.
- xiv. Review internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor interested person transactions have been complied with.
- xv. Monitor the procedures established to regulate interested person transactions, including ensuring compliance with the provisions of the Listing Manual relating to interested person transactions.
- xvi. Review and provide their views on all hedging policies and instruments to be implemented by the Company to the Board.
- xvii. Review and approve the procedures for the entry into any foreign exchange hedging transactions and monitor the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions.
- xviii. Investigate any matters within the ARC's terms of reference, whenever it deems necessary.
- xix. Report to the Board on material matters, findings and recommendations; and deliberate on resolutions relating to conflicts of interest situations involving the Company and the vendors.

B. Nomination Committee

- i. Approve the appointment of CEO and other key management personnel and review the succession plans for Directors and key positions within the Company.
- ii. Review the effectiveness of the Board and the Board Committees and evaluate the performance and contribution of the Directors.

- iii. Review the training and development of the Board, key management personnel and talented executives within the Company.
- iv. Review and recommend candidates for appointments to the Board and the Board Committees (excluding the appointment of existing members of the Board to a Board Committee).
- v. Review and recommend nomination for re-appointment or re-election or renewal of appointment of the Director.
- vi. Determine if a Director is independent.
- vii. Assess each Director's contribution and performance and this may involve the following matters:
 - Attendance;
 - Preparedness;
 - Participation; and
 - Candour.
- viii. Recommend to the Board objective performance criteria for the purpose of evaluating the Board's performance as a whole and to implement performance evaluation established by the Board.
- ix. Evaluate the Board's performance as a whole.

C. Remuneration Committee

- i. Review and recommend the remuneration framework for the Board and key management personnel.
- ii. Review and recommend the remuneration packages for each Director as well as the key management personnel.
- iii. Consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each key management personnel (including salaries, allowances, bonuses, payments, options, benefits in kind, retirement rights, severance packages and service contracts) having regard to the executive remuneration policy within the Company.
- iv. Consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to key management personnel.
- v. Review the on-going appropriateness and relevance of executive remuneration policy and other benefit programmes.
- vi. Review and approve the design of all option plans, stock plans and/or other equity based plans.
- vii. Determine each year whether awards will be made under each of the equity plans.
- viii. Review and approve each award as well as the total proposed awards under each plan in accordance to the rules governing each plan.
- ix. Review, approve and keep under review performance hurdles and/or fulfilment of performance hurdles for each of the equity based plans.

D. Corporate Disclosure Committee

- i. Review and approve the release of material information to the public relating to the Company, its subsidiaries, associated or investment companies that is necessary to avoid the establishment of a false market in its securities or which would be likely to materially affect the price of its securities.
- ii. Delegate authority to the CEO, failing him, any two of either the Deputy CEO or the Chief Operating Officer or the CFO or the Company Secretary, to review and approve the release of routine information to the public.