

# CORPORATE GOVERNANCE

## INTRODUCTION

Perennial Holdings Private Limited (“**Perennial Holdings**” or “**Company**”, together with its subsidiaries, the “**Group**”) is committed to adopting high standards of corporate governance and regularly reviews and benchmarks its corporate governance framework. Perennial Holdings aims to enhance long-term value creation and recognises that good corporate governance will instil business confidence and is key to the long-term success of the Group.

Perennial Holdings is pleased to present its report on corporate governance which describes its corporate governance framework and practices for the financial year ended 31 December 2022.

## THE BOARD'S CONDUCT OF AFFAIRS

The Board is collectively responsible for the long-term success of the Group. The Directors collectively and individually exercise professional judgement in dealing with the business affairs of the Group and make decisions which are in the best interests of the Group.

As part of providing overall leadership to the Group, the Board also sets the appropriate tone from the top by being a strong advocate of responsible conduct and good ethical behaviour while carrying out the Group's business activities. The Board also advises the management team (“**Management**”) on the desired culture of the Group, monitors Management's implementation of such culture and ensures there is proper accountability within the Group.

Non-Executive Directors also confer among themselves, without the presence of Management, as and when the need arises. The Chairman of such meetings provides feedback to the Board and/or Executive Chairman and Chief Executive Officer (“**CEO**”) of the Board, as appropriate.

The principal duties and responsibilities of the Board are to:

- provide leadership and guidance to the formulation of the Group's overall business strategy plans and direction;
- oversee the Group's overall performance objectives, key operational initiatives and major business decisions;
- assume responsibility for corporate governance and ensure the adequacy of the internal control and risk management strategy and standards, including ethical standards;

- constructively challenge and review the performance of Management and approve remuneration matters;
- ensure necessary resources are in place for the Group to meet its strategic objectives;
- establish and maintain a sound risk management strategy to effectively monitor and manage risks, and to achieve an appropriate balance between risks and the Group's performance;
- provide guidance on value creation, innovation and sustainability issues such as environmental, social and governance factors, as part of the Group's overall business strategy; and
- ensure transparency and accountability to stakeholders.

In order for the Board to discharge its principal duties and responsibilities, the Board has to ensure that there are processes in place to:

- approve the appointment of the Executive Chairman and CEO, and other key management personnel (“**KMP**”) and review the succession plans for Directors and KMP within the Group; and
- review the training and development of the Board, KMP and talented executives within the Group.

## Conflicts of Interest

The Board recognises that Directors owe fiduciary duties to the Group. All Directors are expected to discharge their duties and responsibilities objectively in the best interests of the Group and to hold Management accountable for performance. All Directors are also expected to avoid any conflicts of interest. If there is a real or apparent conflict of interest, the Director in question will recuse himself from meetings and abstain from voting on decisions involving the issues(s) of conflict.

## Board Composition and Guidance

As at the date of this report, the Board comprises one female Director and five male Directors. The members of the Board are:

1. Mr Pua Seck Guan (Executive Chairman and CEO);
2. Mr Ron Sim (Co-Vice Chairman, Non-Executive Director);
3. Mr Fang Fenglei (Co-Vice Chairman, Non-Executive Director);
4. Mr Kuok Khoon Hong (Non-Executive Director);
5. Ms Teo La-Mei (Non-Executive Director); and
6. Mr Lau Teck Sian (Alternate Director to Mr Fang Fenglei).

The Board comprises Directors who are business leaders and professionals with strong experience relevant to the Group's businesses and have a good understanding of their directorship duties (including their roles as Executive and Non-Executive Directors).

The Board is made up of Directors of different nationalities and genders. Non-Executive Directors comprise a majority of the Board. The Directors have skills, business experience and qualifications from the real estate, healthcare, banking, finance, investment and legal fields, which are relevant to the Group's business. With the global reach of the Group's business, most of the Directors have extensive experience in multiple jurisdiction, including Singapore, China and other parts of the world.

The varied backgrounds of the Directors enable Management to benefit from their external, diverse and objective perspectives on issues brought before the Board for deliberation. With their collective diverse experience, the Group continues to meet the challenges and demands of the global markets in which it operates.

The Company has three Board Committees. The Board Committees comprise of Directors who have the appropriate qualifications and skills. The Board Committees achieve an equitable distribution of responsibilities among Board Committee members, fostering active participation and contribution among them, thereby maximising the effectiveness of the Board Committees.

Best efforts have been made to ensure that in addition to contributing their valuable expertise and insights to Board deliberations, each Director also brings to the Board an objective perspective to enable balanced and well-considered decisions to be made by the Board. All Directors are encouraged to participate actively in the development of the Group's strategic plans and operations, and in the performance review of Management and the Group. No individual or small group of individuals dominates the Board's decision-making process.

Further information on the Directors can be found in the “**Board of Directors**” section in the Annual Report. The Board is of the view that the Board and the Board Committees are of an appropriate size considering the scale, nature and multiple jurisdictions in which the Group operates and that the Directors as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity.

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## Board Diversity Policy

The Group recognises that board diversity is an essential element contributing to the sustainable development of the Group. The policy is posted on the Group's website accessible at [www.perennialholdings.com](http://www.perennialholdings.com).

The Board does not comprise former partners or directors of the Group's external auditors, KPMG LLP ("KPMG"), within the last two years, or who hold any financial interest in KPMG.

## Directors' Time Commitments

The Directors have effectively discharged their duties based on their commitments, contributions and oversight of the Group and were actively engaged in and contributed to Board and Board Committees meetings.

## Board Meetings and Attendance

The Board meets regularly for the purpose of reviewing the financial performance of the Group, deliberating and approving key business strategies and investments, as well as reviewing remuneration matters and governance issues. The dates of the Board meetings, the Board Committee meetings and Annual General Meetings of the Company are scheduled at least one year in advance and all Board members are notified accordingly. The Company Secretary consults the Directors before fixing the dates of Board meetings so as to ensure optimal attendance and participation from the Directors.

The Company's Constitution allows the Board meetings to be conducted via telephone conference, video conference or other means of electronic communication. Directors who are unable to be physically present at any Board meeting will be able to participate in the meeting via such means. In between scheduled meetings, matters that require the Board's approval are circulated via email to the Directors for their consideration and decision.

Ad-hoc Board meetings are convened as and when necessary to consider other specific matters or as warranted by particular circumstances. Records of all Board meetings, including discussions on key deliberations and decisions taken, are maintained by the Company Secretary and circulated to all Directors to keep them updated.

Should a Director be unable to attend a Board meeting, that Director will still receive the papers that were tabled for discussion and has the opportunity to separately

convey his views to the Executive Chairman and CEO for consideration or further discussion with other Directors.

The table below sets out key information on the number of Board and Remuneration Committee meetings held and attended by each Director in the year under review:

	Board Remuneration Committee	
	No. of meetings held: 4	No. of meetings held: 1
	Attended	Attended
Mr Pua Seck Guan	4	NA
Mr Kuok Khoon Hong	3	0
Mr Ron Sim	4	1
Mr Fang Fenglei	4	1
Ms Teo La-Mei	4	NA
Mr Lau Teck Sien	3	NA

Directors who were unable to attend all meetings were separately briefed by Management.

## Board's Access to Information

All Directors are given sufficient time to prepare for the Board and the Board Committee meetings and to make informed decisions. Prior to the Board and the Board Committee meetings and on an ongoing basis, Management provides the Directors with complete, accurate, timely and detailed information, including background information of disclosure documents, financial statements and other materials that are related to the agendas of these meetings. In general, such information is provided at least five business days prior to the date of the relevant meeting. Draft agendas for the Board and the Board Committee meetings are circulated in advance to the Executive Chairman and CEO, and respective Chairman of the Board Committees respectively for their review and approval. The minutes for the Board Committee meetings are provided to all Directors. The meeting materials are uploaded onto a secure online portal which can be readily accessed on tablet devices by the Directors, which is in line with the Group's ongoing commitment to minimise paper waste and reduce its carbon footprint.

At each Board meeting, the Executive Chairman and CEO, and Management give a complete and comprehensive update on the Group's business and operations, significant developments on the Group's business initiatives and industry

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

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

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

## Board Orientation and Training

All newly-appointed Directors receive letters of appointment explaining their roles, duties and obligations as a Director. The Group conducts orientation and induction programmes for new Directors, which includes comprehensive briefings on Board structure and responsibilities, overall strategic business plans and direction for the Group, corporate governance practices, Group organisation structure and business activities, as well as financial performance of the Group. Site visits are organised for the Directors to familiarise themselves with the Group's assets and to better understand its business operations, whenever appropriate. These measures allow the new Directors to familiarise themselves with Management, thereby facilitating Board interaction and independent access to Management.

If first-time Directors are appointed, the Group will provide training in areas such as accounting, legal and industry-specific

knowledge as appropriate. The Board values ongoing professional development for all Directors. Directors are provided with opportunities for continual professional development in areas such as directors' duties and responsibilities, changes to relevant laws, regulations and accounting standards, and industry-related matters to keep them updated on regulatory requirements and on matters that may affect or enhance their performance as Directors or Board Committee members. The Group reviews Directors' training and professional development needs as appropriate.

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

All training and seminars attended by the Directors in connection with their role as directors of the Company, are arranged and funded by the Group. These are done through specially convened sessions, including training sessions and seminars conducted by external professionals, where relevant.

To ensure that Directors can fulfil their obligations and to continually improve the performance of the Board, all Directors are encouraged to undergo continual professional development. In addition, Directors are also encouraged to attend training sessions conducted by the Singapore Institute of Directors to stay abreast of relevant developments in relation to financial, legal and regulatory requirements. All such continual professional development and training sessions are also fully funded by the Group.

## Role of the Company Secretary

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

With the exception of the Nominating and Remuneration Committee ("NRC") (formerly known as the Remuneration Committee) meetings which are organised by the Human Resources Department ("HR"), the Company Secretary assists the

Executive Chairman and CEO, and the Chairman of the other Board Committees in the administration of the Board and the Board Committees meetings. He attends these Board and Board Committees meetings, and prepares minutes of such meetings. In addition, the Company Secretary is responsible for ensuring that the Board procedures are observed and that relevant rules and regulations, including requirements of the Companies Act 1967 of Singapore ("Companies Act"), are complied with. The Company Secretary also liaises on behalf of the Group with the Accounting and Corporate Regulatory Authority and when necessary, Shareholders. The appointment and removal of the Company Secretary are subject to the Board's approval.

## Independent Professional Advice

Where the Board, whether as an individual Director or as a Group, requires separate and independent professional advice to enable them to effectively discharge their duties, the Group will assist in appointing external professionals or in-house subject matter experts to present key topics to the Board such as legal and financial matters or otherwise. The cost of obtaining such professional advice will be at the expense of the Group.

## Internal Approvals

The Group has established internal guidelines setting forth matters that require the Board's approval, including business strategies and proposals, investment acquisitions and disposals, borrowings and financing arrangements, budgets, project development and capital and operating expenditures. Such matters which have been approved by the Board are clearly communicated to Management in writing. These internal guidelines are set out in the Financial Authority Limits ("FAL"), which provide clear guidelines on the approval matrix for all financial matters and ensure that appropriate controls and decision-making are consistently applied throughout the Group. The FAL is reviewed and updated periodically to ensure operational relevancy with respect to the changing needs of the Company and the Group as a whole. The Board approves the FAL and any changes thereto.

Apart from matters that specifically require the Board's approval, the Board has delegated its authority to approve major transactions (such as capital investments, acquisitions and disposals, capital

expenditure and expenses) below certain threshold limits to the Executive Committee ("EC") and Management. Approval sub-limits are also provided at the Management level to facilitate operational efficiency.

## Financial Reporting

The Board is updated quarterly on the Group's financial performance in respect of key operational activities. These reports provide explanations for material variances in financial performance, in comparison with budgets and the actual performance of corresponding periods in the preceding year, as well as an updated full-year forecast.

## BOARD COMMITTEES

To assist the Board in discharging its duties and responsibilities, the Board has delegated special authorities to the Board Committees, namely, the NRC, the Corporate Disclosure Committee ("CDC") and the EC. The Board Committees have been constituted with clear written terms of reference approved by the Board, setting out their composition, authority and duties, including reporting back to the Board, and may decide on matters within their respective terms of reference and applicable limits of authority. All terms of reference are reviewed and updated, when necessary, to ensure their continued relevance. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rests with the Board as a whole.

### (i) The Nominating and Remuneration Committee:

The NRC is established to ensure a formal and transparent process in developing remuneration policy and in determining the remuneration packages of KMP.

The NRC also makes recommendations to the Board on matters relating to:

1. the review of succession plans for the Executive Chairman and CEO, and KMP;
2. the review of training and professional development programmes for the Board and Directors where relevant and necessary; and
3. the appointment of Directors (including alternate Directors if any).

The members of the NRC are:

- Mr Kuok Khoon Hong (Chairman)
- Mr Ron Sim
- Mr Fang Fenglei



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## (ii) The Corporate Disclosure Committee:

The CDC is established to assist the Board to review the adequacy of corporate disclosures to the investment community, bankers, employees, customers and general public. The CDC reviews and approves the release of material information to the public relating to the Group. These include but are not limited to the following:

- information on major transactions or projects;
- press releases on transactions or projects which are promotional in nature; and
- annual reports and sustainability reports.

The members of the CDC are:

- Ms Teo La-Mei
- Mr Pua Seck Guan

## (iii) The Executive Committee:

The EC is established to assist the Board in the approval of key strategic decisions to ensure that the Group achieves its desired performance objectives and enhances long-term shareholder value.

The EC provides overall direction on the Group's business plans and oversees the general management of the Group, and may:

- review and recommend the Group's corporate values, corporate strategy, corporate objectives and performance targets;
- review and evaluate new business opportunities and recommend strategic business proposals, due consideration given for sustainability issues comprising material environment, social and governance factors, to the Board for approval;
- review, approve and recommend major transactions below S\$30 million;
- guide senior management on business, strategic and operational issues; and
- perform such other duties as the Board may delegate from time to time.

The members of the EC are:

- Mr Kuok Khoo Hong (Chairman)
- Mr Ron Sim
- Mr Lau Teck Sien
- Mr Pua Seck Guan

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

### The Nominating and Remuneration Committee

The NRC's responsibilities include:

- review and recommend the remuneration framework for the Board and KMP;
- consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each KMP, having regard to the executive remuneration policy within the Group;
- consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to KMP;
- review the on-going appropriateness and relevance of executive remuneration policy and other benefit programmes;
- review and approve the design of incentive plans and determine each year whether awards will be made under each of these plans;
- review and approve guidelines pertaining to variable bonus, annual increment and incentive plans annually; and
- review and approve each awards, as well as the total proposed awards under each plan in accordance with the rules governing each plan.

The NRC recommends for the Board's endorsement a framework of remuneration which covers all aspects of remuneration, including but not limited to salaries, allowances, bonuses, benefit-in-kinds and specific remuneration packages for each Director. The NRC aims to build a capable and committed management team through competitive compensation packages and progressive policies which are aligned with the long-term interests and risk policies of the Group, and which can attract, retain and motivate a pool of talented employees to drive business growth and strategy while creating long-term shareholder value.

The NRC also reviews the Group's potential obligations and liabilities arising from any termination of the employment contract of the Executive Chairman and CEO, and KMP. The NRC is of the view that the termination clauses are fair and reasonable as such contracts only contain the standard clause on notice period for

termination with the appropriate period of notice, taking into account the seniority of the relevant employee. In the deliberation of remuneration matters, none of the NRC members is involved in deciding any remuneration, compensation, incentives or any form of benefits to be granted to himself.

In discharging its duties, the NRC may seek advice from HR and external consultants, whenever necessary.

### Remuneration for the Executive Chairman and Chief Executive Officer and Key Management Personnel

The Group advocates a remuneration system that is flexible and responsive to market conditions, as well as a remuneration framework that is based on the key principle of aligning compensation to business performance and strategic objectives. Such performance-centric remuneration is linked to the achievement of corporate and individual performance targets, both in terms of short and long-term quantifiable objectives, as well as to support the ongoing enhancement of shareholder value. The remuneration system also takes into account the value creation capability of the Executive Chairman and CEO, and KMP. The Board determines value creation to be the amount of value-add contributed by the individual, including but not limited to deal introduction to the Group, cost-savings ideas and novel initiatives which have the potential of increasing the performance of the Group.

In designing the remuneration structure, the NRC seeks to ensure that the level and mix of remuneration is competitive and relevant in attracting, motivating and retaining employees. The NRC also ensures that the remuneration structure is aligned with the interests of the stakeholders and promotes long-term success and sustainable growth of the Group.

The balance between fixed and variable compensation elements changes according to the individual employee's performance, value creation, seniority and department, so as to incentivise employees into adopting appropriate risk behaviour and to remain focused on prudent risk management. The NRC considers the mix of fixed and

variable compensation to be appropriate for the Group and for each individual role.

The remuneration structure also takes into account the Group's risk policies and risk tolerance limits, as well as the time horizon of risks, in order to build a sustainable leadership and business in the long term. The NRC is satisfied that there are adequate risk mitigation features in the Group's remuneration structure with prudent funding of annual cash compensation. The NRC is also of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile. The NRC also has the discretion to clawback any incentives awarded earlier if an executive is subsequently found to be involved in misconduct or fraud resulting in financial loss to the Group. The NRC will continue to undertake periodic reviews of compensation-related risks.

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

### Level and Mix of Remuneration

The remuneration mix for KMP comprises two key components: fixed and variable compensation. These components comprise various elements which ensure a close linkage between total compensation and the achievement of long-term business objectives, thereby driving sustainable performance for the Group.

As part of the Group's formal succession planning, HR assists to identify the critical positions at the management level. The requirements of and gaps in these positions are determined before mapping succession to the pipeline of internal high potential executive talents that have been identified. HR recognises the need to strengthen the developmental readiness of identified talents for the roles that they were meant to succeed, and designs and implements career development plans for members of the Group's international talent pipeline to prepare them.

These plans include on-the-job assignments, job rotations, international assignments and assuming larger or different roles in the organisation. HR also reviews and surveys the practices of other corporations and harmonises best practices that are suited for the Group's culture, structure and strategy.

### Fixed Compensation

#### (i) Base Salary and Compulsory Employer Contribution

Base salary is determined by benchmarking against similar and comparable industries, taking into account an individual's responsibilities, competencies, performance, value creation, qualifications and experience.

#### (ii) Market-Related Benefits

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

### Variable Compensation

The variable compensation is designed to support the Group's business strategy and the ongoing creation of shareholder value through the delivery of annual financial and operational objectives.

#### (i) Annual Performance Incentive

This is a short-term incentive that is linked to the achievement of pre-agreed financial and non-financial performance targets for the Group and individual employees. Group-wide performance targets are dependent on factors such as business performance, profitability and operational growth. Individual performance targets are set at the beginning of each financial year and are aligned to the overall strategic, financial and operational goals of the Group. This encourages day-to-day behaviour and actions that are aligned towards the creation of value for shareholders and stakeholders.

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

#### (ii) Long-Term Incentive Plan

This is a long-term incentive plan introduced in 2021 which is designed to motivate, reward and retain higher performing employees by incentivising the long-term commitment of such employees. The NRC takes into account business performance

and individual performance to determine the eligibility and the quantum payable.

### EXECUTIVE CHAIRMAN AND CEO

The Executive Chairman and CEO is responsible for providing the Group with strong leadership and leading the Board in discharging its duties effectively. He also ensures effective functioning of the Board on all aspects of its role. He facilitates the relationship and information flow within and between the Board and Management, sets the agendas for Board meetings with inputs from Management, ensures sufficient allocation of time for thorough discussion of each agenda item at Board meetings, and engages the Board and Management in effective discussions.

The Executive Chairman and CEO also promotes an open environment for deliberation and ensures that the Board meetings are conducted objectively and professionally, where all views are heard and debated in a fair and open manner. At the same time, the Executive Chairman and CEO also monitors follow-up to the Board's decisions and ensures that such decisions are translated into executive actions.

In addition, the Executive Chairman and CEO works with the Board, the Board Committees and Management to establish risk limits undertaken by the Group and at the same time, promotes high standards of integrity and corporate governance. He also provides leadership, guidance and advice to Management, particularly with regard to the Group's growth strategy and developments.

The Executive Chairman and CEO, assisted by Management, makes strategic proposals to the Board and after robust Board discussions, executes the agreed strategies and policies, manages and develops the Group's businesses and implements the Board's decisions. The Executive Chairman and CEO is responsible for effectively managing and supervising the day-to-day business operations, reporting to the Board on all aspects of the operations and performance, managing and cultivating good relationships with all stakeholders and ensuring effective communication with the stakeholders.



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The Co-Vice Chairmen have the duty to provide leadership in situations where the Executive Chairman and CEO faces any real or apparent conflict of interest. The Co-Vice Chairmen are also available to shareholders of the Company should they have concerns and for which contact through the normal channels has failed or is inappropriate. This ensures effective oversight, appropriate balance of power and increased accountability.

## ACCOUNTABILITY AND AUDIT

The Group believes that strict compliance with statutory reporting requirements and the adoption of good business practices are imperative to maintaining confidence and trust in the Group and at the same time, delivering sustainable value to its stakeholders.

The Board regularly receives operational and financial reports regarding the Group's performance, which includes key performance indicators, variance analyses, property updates, strategic and business highlights and key developments to enable it to keep abreast and make a balanced and informed assessment of the Group's performance, financial position and prospects.

The Group provides shareholders with voluntary updates on the Group's interim business performance, as and when necessary. The Board is also updated on relevant changes to rules, regulations and accounting standards so that it can monitor and supervise the Group to comply with the relevant regulatory requirements.

Management also highlights key business indicators and major issues that are relevant to the Group's performance from time-to-time to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

## Risk Management

The Group recognises that a robust risk management and internal control system to safeguard its assets and shareholders' interests, is imperative to maintaining stakeholders' confidence and trust in the Group and at the same time, delivers sustainable value to its stakeholders.

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

The Board reviews, whenever necessary, the key organisational risks and robustness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology ("IT") controls. The Board also decides on the risk tolerance limits and other associated risk parameters, and determines the nature and extent of the significant risks which the Board is willing to assume in achieving the Group's strategic objectives and value creation.

The Group understands that its business environment presents opportunities that require preparation and planning in order for these opportunities to be seized, as well as uncertainties that need to be actively managed.

Management, being responsible for the implementation of day-to-day management of risks in the Group, reports to the Board on the key risks and provides updates on the risk management activities of the business. The Board regularly reviews the key risk indicators and discusses the status of risk exposure and risk management action plans.

The Board is satisfied that the Group's risk management system continues to be adequate and effective.

## Internal Controls

Supporting the risk management strategy is a system of internal controls, comprising Group-wide governance and internal control policies, procedures and guidelines which cover financial, operational, IT and regulatory compliance matters.

Such internal control mechanisms include segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. The implementation of the Whistleblowing Policy, Code of Conduct and Code of Ethics, also help to establish a clear tone from Management with regard to employees' business and ethical conduct. This system of internal controls is regularly reviewed for continuous improvement and strengthening.

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

## Duties of the Board

The Board also ensures relevancy and compliance with good corporate governance and best practices. In particular, the Board:

- reviews significant financial reporting issues and key areas of management judgment so as to ensure the integrity of the financial statements of the Group;
- reviews at least annually, the adequacy and effectiveness of the Group's internal controls, including financial and accounting, operational and compliance;
- reviews the effectiveness, independence and adequacy of the internal audit function, the scope and results of the audit reviews, the annual audit plan (the "Audit Plan") and the internal audit reports, including the adequacy of internal audit resources and its appropriate standing within the Group;

- oversees the implementation of the improvements required on internal control weaknesses identified and ensures that Management provides the necessary cooperation to enable the internal auditors to perform their function;
- reviews the scope and results of the external audit, the audit reports and the independence and objectivity of the external auditors taking into consideration the requirements under the Accountants Act 2004 of Singapore, including but not limited to, the aggregate and respective fees paid for audit and non-audit services and the cooperation extended by Management to allow effective audits;
- considers and approves the appointment, re-appointment and removal of external and internal auditors, and approves the remuneration and terms of engagement of the external and internal auditors;
- monitors the Group's compliance with laws and regulations, particularly those of the Companies Act;
- reviews the Whistleblowing Policy and arrangements put in place by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up actions;
- oversees the procedures established to regulate interested person transactions;
- reviews and approves, where relevant, material matters, findings and recommendations; and
- deliberates on and approves resolutions relating to conflicts of interest situations involving the Group and its vendors.

The Board has separate and independent access to the Company Secretary, Management and reasonable resources to enable it to discharge its functions properly and explicit authority to investigate any matter within its terms of reference. Management is required to provide the fullest co-operation in furnishing information and resources in carrying out all requests made by the Board. The Board also has separate and independent access to the internal auditors and external auditors, and has full discretion to invite any executive officer to attend its meetings. Both the

internal auditors and external auditors are also given unrestricted access to the Board. The Board is also authorised to engage any firm of accountants, lawyers or other external independent professionals as it sees fit to provide independent advice to assist in the review or investigation of such matters within its terms of reference as it deems appropriate, at the expense of the Group.

Changes to accounting standards and issues which have a direct impact on financial statements are updated by Management during Board meetings.

## Key Audit Matters

In the review of the financial statements, the Board will discuss with Management, the accounting policies that are adopted and applied. The Board will also consider the judgments and estimates made by Management that might affect the integrity of the financial statements. Where the external auditors, in their audit of the Group's year-end financial statements, raise any significant issues (for example, significant adjustments) which have a material impact, Management will bring this to the Board's attention immediately.

## External Auditors

The Board evaluates the performance of the external auditors and is satisfied with the quality of the work carried out by the external auditors. No former partner or director of the Group's existing auditing firm or auditing corporation is a member of the Board.

In reviewing the nomination of KPMG for re-appointment for the financial year ended 31 December 2022, the Board has taken into consideration the adequacy of resource, experience and competence of KPMG, as well as the quality of audits performed. Satisfied that KPMG has demonstrated appropriate expertise and is adequately resourced, the Board has recommended the re-appointment of KPMG as the Group's external auditors.

## Internal Auditors

The Internal Audit function assists the Board in providing an independent and objective evaluation of the adequacy and effectiveness of the system of internal controls. It also performs reviews to

examine the safeguarding of assets, the timeliness and accuracy in the recording of transactions, compliance with relevant laws, regulations and policies established by the Group, as well as the steps taken by Management to address control deficiencies.

The team adopts a risk-based methodology in drawing up the Audit Plan. The Audit Plan is planned in consultation with, but independently of, Management. Key considerations for the Audit Plan include risk exposures, operating concerns and compliance with regulations, policies and procedures. The Audit Plan includes, amongst others, the audit scope, objectives, and resources to be allocated for the audits. The Audit Plan is submitted to the Board for review and approval to ensure that the audit scope set out in the Audit Plan is sufficient to review the significant risks and internal controls of the Group. The internal controls comprise financial, operational and compliance.

All internal audit reports, containing identified issues and corrective action plans, are submitted to the Board for deliberation, with copies of these reports extended to the Executive Chairman and CEO, and relevant Management. The Internal Audit function follows up regularly with Management on the action plans and ensures that proposed action plans have been adequately completed.

The Internal Audit function is staffed with persons with the relevant qualifications and experience.

For the year under review, the Board is satisfied that the Internal Audit function was independent, effective, adequately resourced and has appropriate standing within the Group.

## Conduct of Business

The Board and Management are committed to conducting business with integrity that is consistent with high standards of business ethics, as well as in compliance with all applicable laws and regulatory requirements. The Group has in place internal policies on employees' conduct, corporate gift guidelines and grievance handling procedures. These policies crystallise the Group's business principles and practices that are expected of its

# CORPORATE GOVERNANCE

employees with respect to matters which may have ethical implications, such as corruption, bribery, conflicts of interest, misappropriation of assets, violation of law and regulations, non-compliance with other policies and procedures, abuse of position and other misconduct.

Relevant policies are communicated to all employees and aim to provide direct and understandable frameworks for employees to observe the Group's principles, such as integrity, honesty and responsibility, at all levels of the organisation.

All employees are required to make an ongoing effort to learn about and keep up-to-date with the content relevant to their duties, guidelines that apply to them and any changes that are made to the guidelines.

## Whistleblowing Policy

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

The Whistleblowing Policy and procedures, together with the dedicated whistleblowing communication channel, are disseminated to all employees and also posted on the Group's website accessible at [www.perennialholdings.com](http://www.perennialholdings.com).

The Group's secure and protected whistleblowing communication channel includes a dedicated and independent e-mail account that is only accessible by the Executive Chairman and CEO, and Ms Teo La-Mei. The Board is guided by the Whistleblowing 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 allowed the fraud or misconduct to be perpetrated so as to prevent a recurrence.

## Fraud, Bribery and Corruption Risk Management

The Group is committed to doing business with integrity. This is reflected in its longstanding zero tolerance stance against fraud, bribery and corruption. Consistent with this commitment, guidelines are in place to ensure all employees of the Group uphold the highest standards of integrity in their work and business dealings. The Group's zero tolerance stance on bribery and corruption extends to its business dealings with third parties.

## Code of Conduct and Code of Ethics

A formalised Code of Conduct and Code of Ethics, approved by the Board, have been adopted and implemented throughout the Group.

The Code of Conduct is applicable to all employees and sets out the principles to guide the conduct of business activities internally, as well as externally. The principles covered in the Code of Conduct include, among others, conflict of interests, entertainment and gifts, misuse of position, insider trading and confidentiality. It also defines the procedures for employees to report any violation of the Code of Conduct.

The Code of Ethics sets out the moral and ethical standards of behaviour that are expected of employees of the Group when dealing with customers, suppliers, other business associates and colleagues, as well as when discharging their duties as employees of the Group.

Details of the Group's Code of Conduct and Code of Ethics are posted on the Group's website, which is accessible by all employees and stakeholders.

## ENGAGEMENT WITH STAKEHOLDERS Stakeholder Rights

A dedicated investor relations and corporate communications ("IRCC") team that reports to the Executive Chairman and CEO effectively executes the Group's IRCC policy which is published on the

Group's website. The IRCC team focuses on facilitating communication with the media, members of the public and various stakeholders to keep them abreast of the Group's strategic plans and key developments, where relevant.

The contact details of the IRCC team are listed on the Group's website and disclosed in this report to facilitate any queries from various stakeholders.

The Group communicates strategic business plans and operating performance, shares latest corporate and industry developments with relevant stakeholders, as well as gathers their views and feedback on a range of strategic and topical issues, where necessary. Such interactions allow Management to understand and consider the views and feedback before formulating key strategic decisions.

The Sustainability Summary Report, from pages 92 to 126 of this report, sets out the Group's approach to address stakeholders' concerns and methods of engagement and also highlights the key areas of focus in relation to the management of stakeholders.

## Interested Persons Transactions

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

The Group also maintains a register of all IPTs entered into by the Group. As stipulated in the Group's IPT Policy, Management presents the IPT register, which contains all transactions with interested persons and the relevant details of each transaction, to the Board regularly.