

CORPORATE GOVERNANCE

Perennial Holdings Private Limited (formerly known as “Perennial Real Estate Holdings Limited”) (“**Perennial**” or “**Company**”, together with its subsidiaries, the “**Group**”) was delisted from the mainboard of the Singapore Exchange Securities Trading Limited (“**Singapore Exchange**”) with effect from 14 September 2020. Perennial remains committed to adopting high standards of corporate governance and regularly reviews and benchmarks its corporate governance framework. Perennial 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 is pleased to present its corporate governance statement which describes Perennial’s corporate governance framework and practices since 14 September 2020.

THE BOARD’S CONDUCT OF AFFAIRS

Role of the Board

The Board is collectively responsible for the long-term success of the Group. The Directors have collectively and individually exercised 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 and monitors Management’s implementation of such culture.

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. 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 Chairman 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 frameworks and standards, including ethical standards;
- Constructively challenge and review 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 framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and 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.

The Board recognises that Directors owe fiduciary duties to the Group and 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.

The principal duties and responsibilities of the Board in order to fulfil this process, are to, whenever necessary:

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

Board Size and Composition

The Board comprises Directors who are business leaders and professionals with strong experience relevant to the Group’s businesses.

After the Group was delisted from the mainboard of the Singapore Exchange, Mr Kuok Khoon Hong, Mr Ron Sim and Mr Pua Seck Guan remained on the Board, while the following appointments were made:

1. Mr Fang Fenglei was appointed as a Director on 15 October 2020.
2. Ms Teo La-Mei was appointed as a Director on 15 October 2020. She was the first female director appointed to the Board.
3. Mr Lau Teck Sien was appointed as an Alternate Director to Mr Fang Fenglei on 15 October 2020.

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

Further information on the Directors can be found in the ‘Board of Directors’ section in the Annual Report.

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, banking, finance 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 jurisdictions 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

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the challenges and demands of the global markets in which it operates.

Board Diversity

The Board adopted a board diversity policy in November 2019, and updated the same in June 2021, as 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 (www.perennialholdings.com).

The Board does not comprise former partners or directors of the Group's external auditors, 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 and deliberating and approving key business strategies and investments as well as reviewing remuneration matters and governance issues. The dates of the Board meetings, the Board Committee meetings and Annual General Meetings of the Company ("**AGM**") are scheduled at least one year in advance and all Board members are notified accordingly. The Company Secretary consults 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 have the opportunity to separately convey his views to the Chairman for consideration or further discussion with other Directors.

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. 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 Board and Board Committee meetings are circulated in advance to the Chairman 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 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 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 include 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.

Role of the Company Secretary

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

With the exception of the Remuneration Committee meetings which are organised by the Human Resources Department ("**HR**"), the Company Secretary assists the Chairman and the Chairman of the other Board Committees in the administration of the Board and Board Committees meetings. She 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, are complied with. The Company Secretary also liaises on behalf of the Group with the Accounting and Corporate Regulatory Authority ("**ACRA**") and when necessary, Shareholders. The appointment and removal of the Company Secretary is subject to the Board's approval.

Independent Professional Advice

Where the Board, whether as an individual Director or as a Group, requires independent professional advice to enable them to effectively discharge their duties, the Group will assist in appointing a professional advisor to render the advice and keep the Board informed of such advice. The cost of obtaining such

professional advice will be at the expense of the 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, which provide clear guidelines on the approval for all financial matters and ensure that appropriate controls and decision-making are consistently applied throughout the Group. The Financial Authority Limits undergo periodic reviews and updates to ensure operational relevancy with respect to the changing needs of the Company and the Group as a whole. The Board approves the Financial Authority Limits 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 with 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 Remuneration Committee ("**RC**"), the Corporate Disclosure Committee ("**CDC**") and the EC. The Board Committees have been constituted with clear written terms of reference approved by the Board and may decide on matters within its terms of reference and applicable limits

of authority. 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.

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

The RC:

The RC is established with a primary function to ensure a formal and transparent process in developing remuneration policy and in determining the remuneration packages of key management personnel. Its responsibilities include:

- Review and recommend the remuneration framework and remuneration packages for key management personnel;
- Consider, review and approve and/or vary (if necessary) the entire specific remuneration package and service contract terms for each key management personnel, having regard to the executive remuneration policy within the Group;
- Consider and approve termination payments, retirement payments, gratuities, ex-gratia payments, severance payments and other similar payments to key management personnel;
- Review the on-going appropriateness and relevance of executive remuneration policy and other benefit programmes;
- Review and approve the design of incentives 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 award as well as the total proposed awards under each plan in accordance with the rules governing each plan.

The RC recommends for the Board's endorsement a framework of remuneration which covers all aspects of remuneration,

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including but not limited to salaries, allowances, bonuses, benefit-in-kinds and specific remuneration packages for each executive Director. The RC aims to build a capable and committed management team through competitive compensation packages and progressive policies which are aligned with the long-term interests and risk policies of 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 RC also reviews the Group's potential obligations and liabilities arising from any termination of the employment contracts of the Executive Director and key management personnel. The RC is of the view that the termination clauses are fair and reasonable as such contracts only contain the standard clause on notice period for termination. In the deliberation of remuneration matters, none of the RC members is involved in deciding any remuneration, compensation, incentives or any form of benefits to be granted to himself.

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

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

Remuneration for Executive Director 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 Director and key management personnel. 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 RC seeks to ensure that the level and mix of remuneration is competitive and relevant in attracting, motivating and retaining employees. The RC 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 RC 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 RC is satisfied that there are adequate risk mitigation features in the Group's remuneration structure with prudent funding of annual cash compensation. The RC is also of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviour contrary to the Group's risk profile. The RC also has the discretion not to award any incentives in any year if an executive is involved in misconduct or fraud resulting in financial loss to the Group. The RC will continue to undertake periodic reviews of compensation-related risks.

In determining the remuneration of key management personnel, 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 with for talent and capital. The RC is of the view that the remuneration of key management personnel is competitive and fair and they have met the performance targets.

The remuneration mix for key management personnel 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.

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 RC takes into account overall business performance and individual performance, amongst other considerations.

(i) 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 RC takes into account business performance and individual performance to determine the eligibility and the quantum payable.

The members of the RC are:

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

The CDC:

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;
- Key management appointments; and
- Annual reports and sustainability reports.

The members of the CDC are:

- Ms Teo La-Mei
- Mr Pua Seck Guan

The EC:

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman and CEO

The Chairman and CEO of the Group 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 and increased accountability.

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

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

The 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 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.

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 be kept 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 for 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

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processes as well as in the day-to-day operations at the Company and Group levels. The Board sets the overall strategic direction, governs the risk management strategy and framework, and determines the risk 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 Board also assesses the Group's compliance with the risk management framework to effectively identify, measure, manage and monitor risks.

The Group understands that its business environment presents opportunities that require preparation and planning in order to be seized as well as uncertainties that need to be actively managed. In this regard, the Group has implemented a comprehensive Enterprise Risk Management ("ERM") framework to deal with business opportunities and uncertainties by identifying key risks and enacting the appropriate mitigating plans and actions. The ERM framework lays out the governing policies, processes and systems to identify, evaluate and manage risks as well as to facilitate the assessment on the adequacy and effectiveness of the Group's risk management system.

Management, being responsible for the implementation of ERM and 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 risk dashboard and discusses the status of risk exposure and risk management action plans.

The Group, where necessary, also produces and maintains risk registers for the risks it faces as well as the corresponding internal

controls it has in place to manage or mitigate those risks. The risk profile, risk registers and the controls are reported to the Board, where necessary.

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

Effective Internal Controls

Supporting the ERM framework is a system of internal controls, comprising Group-wide governance and internal control policies, procedures and guidelines which cover financial, operational, IT and regulatory compliance matters. Such internal control mechanisms include segregation of duties, approval authorities and limits, and checks and balances embedded in business processes. Fraud risk management processes and the implementation of policies, such as the Whistle-blowing Policy, 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 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, compliance and IT controls, and risk management systems;
- Reviews the effectiveness, independence and adequacy of the internal audit function, the scope and results of the audit reviews, the annual audit plan and the internal audit reports, including the adequacy of internal audit resources and its appropriate standing within 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 its function;
- Reviews the scope and results of the external audit, the annual audit plans, the audit reports and the independence and objectivity of the external auditors taking into consideration the requirements under the Accountants Act (Chapter 2) 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 an effective audit;
- 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 (Chapter 50);
- Reviews the Whistle-blowing Policy and arrangements put in place by which employees 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 and approves on resolutions relating to conflicts of interest situations involving the Group and the vendors.

The Board has full access to Management and reasonable resources to enable it to

discharge its functions properly and the explicit authority to investigate any matter within its terms of reference. 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 direct access to the internal auditors and external auditors, and has full discretion to invite any executive officer to attend its meetings. Both the internal 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 on 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 and highlighted by the external auditors during Board meetings.

The Board has received written assurance from:

- the CEO and the CFO, that financial records of Perennial have been properly maintained, the financial statements for the financial year ended 31 December 2020 give a true and fair view of Perennial's operations and financial results; and
- the CEO and other relevant key management personnel, that the internal controls and risk management systems of Perennial are adequate and effective in addressing the financial, operational, compliance and IT risks of the Group in its current business environment.

Key Audit Matters

In the review of 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 review or audit of the Group's year-end financial statements, raise any significant issues (e.g. significant adjustments) which have a material impact on the interim financial statements or financial updates previously announced by the Group, Management will bring this to the Board's attention immediately. Management will also

advise the Board if changes are needed to improve the quality of future interim financial statements or financial updates.

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 2020, 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, the 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 annual audit plan (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 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 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. Such significant controls comprise financial, operational, compliance and IT controls.

All internal audit reports, containing identified issues and corrective action plans, are submitted to the Board for deliberation, with copies of these reports extended to the

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, and they carry out its function according to the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing established by The Institute of Internal Auditors.

Whistle-blowing Policy

The Group's Whistle-blowing 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 Whistle-blowing 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 Whistle-blowing Policy and procedures, together with the dedicated whistle-blowing communication channel, are disseminated to all employees and also posted on the Group's website (www.perennialholdings.com).

The Group's secure and protected whistle-blowing communication channel includes a dedicated and independent e-mail account that is only accessible by the Chairman and the CEO. The Board 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 allowed the fraud or misconduct to be perpetrated so as to prevent a recurrence.

Code of Conduct and Code of Ethics

As part of providing overall leadership to the Group, the Board sets the appropriate tone from the top by being a strong advocate of responsible conduct and good ethical

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behaviour while carrying out the Group's business activities. The Board also advises Management on the desired culture of the Group and monitors Management's implementation of such culture.

A formalised Code of Conduct and Code of Ethics 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.

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.

Anti-Money Laundering and Countering the Financing of Terrorism Measures

The Group remains alert at all times to suspicious transactions by carrying out comprehensive "Know Your Customer/Counterparty" checks for proper identification of parties involved in transactions with the Company as well as monitoring of certain activities and transactions to spot any unusual activity. Enhanced due diligence checks are performed on counterparties

where there is a suspicion of money laundering or terrorism financing.

STAKEHOLDER RIGHTS AND ENGAGEMENT

Stakeholder Rights

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

A dedicated investor relations and corporate communications ("IRCC") team that reports to the 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.

Engagement with 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 86 to 118 of this report provides the Group's approach to address stakeholders' concerns and methods of engagement and also sets out the key areas of focus in relation to the management of stakeholders.

Business Conduct

The Board and Management are committed to conducting business with integrity that is consistent with high standard of business ethics, as well as in compliance with all applicable laws and regulatory requirements. 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 employees with

respect to the matters which may have ethical implications, such as corruption, bribery, conflicts of interest, misappropriation of assets, violation of law and regulations, non-compliance with 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.

Interested Person Transactions ("IPTs")

The Group has established a formal IPT Policy, which defines the levels and procedures to obtain approval for IPTs. The IPT Policy is to ensure that all transactions with interested persons are:

- (i) conducted on normal commercial terms and are not prejudicial to the interests of 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 reports the IPT register, which contains all transactions with interested persons and the relevant details of each transaction, to the Board regularly.

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

An audit on IPTs is also incorporated into the Group's annual internal audit plan and the findings are reported to the Board.