

# CORPORATE GOVERNANCE

City Developments Limited ("CDL" or the "Company") is committed to upholding a high standard of corporate governance and business integrity in all its business activities, which is essential for the long-term sustainability of the Group's businesses and the enhancement of shareholders' value.

To demonstrate its commitment towards excellence in corporate governance, CDL had joined the Securities Investors Association Singapore ("SIAS") and its partners since 2010 in making the following public Statement of Support, which was reiterated at the 8th Singapore Corporate Governance Week 2018 (organised by SIAS) in September 2018:

**"As an Organisation, we are committed to upholding high standards of corporate governance to enhance shareholder value. We believe practising good corporate governance is central to the health and stability of our financial markets and economy."**

## CORPORATE GOVERNANCE ACCOLADES

- At the SIAS Investors' Choice Awards 2018, CDL:
  - was declared a runner-up winner in the Properties category for the Most Transparent Company Award, which recognised listed companies that have excellent corporate governance practices and shareholder interests; and
  - continued to be a Sustainability Award winner, an award which recognised companies with substantial Sustainability Reporting report and practices.
- As CDL continues its journey to uphold the highest standards of corporate governance, we have further improved our ranking on the Singapore Governance and Transparency Index (SGTI) from the 8th position in 2017 to the 7th position in 2018. The SGTI is aimed at assessing companies on their corporate governance disclosure and practices, as well as the timeliness, accessibility and transparency of their financial results announcements.
- CDL achieved 6th position in the top 100 ranked Singapore-listed companies in the ASEAN Corporate Governance Scorecard 2018 (Singapore country scorecard) and went on to be ranked within the top 30 public listed companies in the six ASEAN countries (namely, Singapore, Malaysia, Thailand, Philippines, Indonesia and Vietnam) for the overall ASEAN Corporate Governance Awards 2018.
- CDL also joined over 100 companies from ten sectors headquartered in 24 countries and regions in the inaugural sector-neutral 2018 Bloomberg Gender-Equality Index (GEI), which reference index measures gender equality across internal company statistics, employee policies, external community support and engagement, and gender-conscious product offerings. In recognition of its commitment to transparency in gender reporting and advancing gender diversity in the workplace, CDL was listed once again in the 2019 Bloomberg GEI. CDL was the only real estate

management and development company to be listed on the GEI for two consecutive years.

- CDL was placed on the SGX Fast Track programme in April 2018, a programme which was launched by Singapore Exchange Regulation (SGX RegCo) in recognition of listed companies which have maintained good corporate governance standing and compliance track record. Companies under this programme will receive prioritised clearance on selected corporate action submissions to SGX RegCo.

The Company has complied with Listing Rule 710 by describing in this report CDL's corporate governance practices with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 ("2012 Code"). Where the Company's practices differ from the principles and guidelines under the 2012 Code, the Company's position and reasons in respect of the same are explained in this report. The Company has also taken note of the updated principles and guidelines in the revised Code of Corporate Governance 2018 ("2018 Code"), and where the Company's practices are already aligned with the new provisions under the 2018 Code, these are highlighted within this report.

The Company's principal subsidiary, Millennium & Copthorne Hotels plc ("M&C"), is listed on the London Stock Exchange, and there are other key listed entities within M&C's group of companies, namely, CDL Hospitality Trusts (a Singapore Stock Exchange listed hospitality trust), Millennium & Copthorne Hotels New Zealand Limited and CDL Investments New Zealand Limited, both of which are listed on the New Zealand Stock Exchange. The independent boards and board committees of the Group's listed subsidiaries are responsible to uphold high standards of corporate governance and oversee the effectiveness of their internal controls and risk management systems. Further information on the governance regime, corporate governance practices, and the assurances on the adequacy and effectiveness of the internal controls and risk management systems of these listed subsidiaries can be found in their respective corporate governance statements as published in their annual reports.

## BOARD MATTERS

### PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

#### THE PRIMARY FUNCTIONS OF THE BOARD

The Board oversees the Company's business and its performance under its collective responsibility for the long-term success of the Company, working with the Senior Management to achieve the strategic objectives of the Company. The Board's

primary functions are to provide leadership, set broad policies, provide guidance on and approve strategic objectives, ensure that necessary financial, operational and human resources are in place for the Company to meet its objectives, review the performance of the Company and its subsidiaries (the "Group") and Management's performance, and satisfy itself as to the adequacy and effectiveness of the framework and processes for internal controls (including financial, operational, compliance and information technology ("IT") controls) and risk management for the safeguarding of shareholders' interests and the Group's assets. The Board assumes responsibility for good corporate governance and sets the Company's corporate values and ethical standards through the Company's policies with a view to ensuring that its obligations to shareholders and stakeholders are clearly understood and met.

## SUSTAINABILITY

The Board is committed to the Company's strategic approach to integrating sustainability in all aspects of its business and operations, and to advance the Company's sustainability efforts and achievements.

In this regard, the Board Sustainability Committee ("BSC") assists the Board in the review and consideration of the Company's sustainability issues and approach to sustainability reporting. The BSC comprises four members, namely three independent non-executive Directors, and the Group Chief Executive Officer ("Group CEO"). The BSC's terms of reference sets out, *inter alia*, the objectives, roles and responsibilities of the BSC and include its purview over matters relating to the Company's environmental, social and governance (ESG) framework, ESG targets, the sustainability reporting framework and also the Company's policies, practices and performance on its material ESG factors which are significant and contribute to the Company's performance, business activities, and/or reputation as a global corporate citizen. Further information on the Company's sustainability practices are set out in the Sustainability Board Statement on pages 63 to 75 of this Annual Report 2018 ("AR").

The Company also publishes an annual full Sustainability Report that provides more details on CDL's ESG activities and performance. The dedicated report on CDL's sustainability efforts addresses the social and environmental impacts that are pertinent to the Company's business, as well as identifies the Company's key stakeholders and shares the Company's engagement with these stakeholders. CDL's Sustainability Reports are prepared in accordance with the Global Reporting Initiative (GRI) Guidelines. The previous Integrated Sustainability Reports were aligned with GRI's latest G4 Guidelines at the Comprehensive level and for the first time, CDL adopted the International Integrated Reporting Council's (IIRC) Integrated Reporting approach in its Integrated Sustainability Report 2018 issued in the second quarter of 2018. The Company will be issuing its Integrated Sustainability Report 2019 in the first

quarter of 2019. These Sustainability Reports are available on CDL's corporate website.

## DIRECTORS' OBJECTIVE DISCHARGE OF DUTIES & DECLARATION OF INTERESTS

All Directors, being fiduciaries, are required to objectively discharge their duties and responsibilities in the interests of the Company. This ability to exercise objectivity is one of the assessment criteria in the Nominating Committee's ("NC") annual evaluation of the Directors.

Directors, who are in any way, directly or indirectly, interested in a transaction or proposed transaction, declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and voluntarily abstain from participating in the deliberation and decision-making on such transactions, with abstention duly recorded within the minutes and/or the resolutions of the Board and/or the Committees.

## DELEGATION BY THE BOARD

The primary functions of the Board are either carried out directly by the Board or through committees established by the Board, namely, the Board Committee ("BC"), the Audit & Risk Committee ("ARC"), the NC, the Remuneration Committee ("RC") and the Board Sustainability Committee ("BSC"), all collectively referred to hereafter as the "Committees".

Specific written terms of reference for each of the Committees set out the required composition, authority and responsibilities of the Committees, and provide for each Committee to submit at least an annual report of its activities to the Board (*Note: aligned with Provision 1.4 of the 2018 Code*). All terms of reference for the Committees are approved by the Board and reviewed periodically to ensure their continued relevance, taking into account the changes in the governance and legal environment.

The delegation of authority by the Board to the Committees enables the Board to achieve operational efficiency by empowering these Committees to decide, review and make recommendations on matters within their respective written terms of reference and/or limits of delegated authority, without abdicating the Board's overall responsibility.

## COMPOSITION OF BOARD AND COMMITTEES:

Committees	Composition
Board Committee	Kwek Leng Beng (Chairman) Kwek Leng Peck Tan Yee Peng Koh Thiam Hock Lim Yin Nee Jenny
Audit & Risk Committee	Lim Yin Nee Jenny* Tan Yee Peng Koh Thiam Hock
Nominating Committee	Philip Yeo Liat Kok* Kwek Leng Beng Tan Yee Peng Lim Yin Nee Jenny
Remuneration Committee	Lim Yin Nee Jenny* Philip Yeo Liat Kok Koh Thiam Hock
Board Sustainability Committee	Tan Yee Peng* Philip Yeo Liat Kok Tan Poay Seng Sherman Kwek Eik Tse (non-Board member)

\* chairman of Committee

Please refer to the sections on Principles 4, 5, 7 and 12 in this report for further information on the activities of the NC, RC and ARC. Information on the activities of the BC can be found under the "Board Approval" paragraph in this section on Principle 1, whilst information on the activities of the BSC can be found under the "Sustainability" paragraph within this section on Principle 1 in the earlier part of this report.

## BOARD PROCESSES

Meetings of the Board and Committees are held regularly, with the Board meeting no less than six times a year. Seven Board meetings were held in 2018. At the regular quarterly Board meetings, the Board agenda includes updates by the Senior Management and other key executives on the Group's strategic initiatives and implementation status, updates on the Group's investments and developments in Singapore and overseas, and the Group's financial performance. In addition to these quarterly Board meetings, two additional Board meetings are scheduled annually for the Board to focus on the review of the Company's strategic direction, including specific business strategies, capital and geographical allocation, and risk appetite and tolerance limits, where applicable.

A meeting of the non-executive Directors ("NEDs"), chaired by the Lead Independent Director ("Lead ID"), was held in 2018. Meetings of the NEDs and Independent Directors ("IDs") are convened as often as may be warranted by circumstances. As the IDs meet regularly under the various Committees and the Lead ID is a member in some of these Committees, no separate meeting of the IDs was required to be convened in 2018.

The proposed meetings for the Board and all Committees for each new calendar year are set out in a schedule of meetings and notified to all Board members before the start of that calendar year. Additional meetings are convened as and when circumstances warrant. Records of all such meetings including discussions on key deliberations and decisions taken are maintained by the Company Secretary. The Company's Constitution allows for the meetings of its Board and the Committees to be held via teleconferencing and video-conferencing. The Board and the Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at the Annual General Meeting of the Company ("AGM") and meetings of the Board and the Committees, as well as the frequency of such meetings in 2018, is disclosed on page 35 of this AR. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused solely on his/her attendance at meetings of the Board and/or the Committees. A Director's contribution also extends beyond the confines of the formal environment of such meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Company. The Directors also, whether individually or collectively, engage with the Senior Management, heads of the Group's business units and departments and the Group's external consultants in order to better understand the challenges faced by the Group and the input of the Directors, through such engagement, provide valuable perspective to the Management.

## DIRECTORS' ATTENDANCE AT THE AGM, AND MEETINGS OF THE BOARD, THE COMMITTEES AND THE NEDs IN 2018

	Board	ARC	NC	RC	BSC	NEDs	AGM
Number of meetings held in 2018	7	6	4	2	2	1	1
Name of Directors	Number of meetings attended in 2018						
Kwek Leng Beng <sup>(4)</sup>	7/7	N.A.	4/4	N.A.	N.A.	N.A.	1
Kwek Leng Peck	7/7	N.A.	N.A.	N.A.	N.A.	1	1
Philip Yeo Liat Kok <sup>(4)</sup>	6/7	N.A.	3/4	2/2	2/2	1	–
Tan Poay Seng	5/7	N.A.	N.A.	N.A.	2/2	1	1
Chan Soon Hee Eric <sup>(1)</sup>	3/3 <sup>(1)</sup>	3/3 <sup>(1)</sup>	3/3 <sup>(1)</sup>	1/1 <sup>(1)</sup>	1/1 <sup>(1)</sup>	1 <sup>(1)</sup>	1 <sup>(1)</sup>
Tan Yee Peng <sup>(2)</sup>	7/7	6/6	4/4	N.A.	1/1 <sup>(2)</sup>	1	1
Koh Thiam Hock	6/7	6/6	N.A.	2/2	N.A.	1	1
Lim Yin Nee Jenny <sup>(3)</sup>	4/4 <sup>(3)</sup>	3/3 <sup>(3)</sup>	1/1 <sup>(3)</sup>	1/1 <sup>(3)</sup>	N.A.	N.A. <sup>(3)</sup>	N.A. <sup>(3)</sup>

### NOTES:

- <sup>(1)</sup> Mr Chan Soon Hee Eric resigned as a Director, the Lead ID, Chairman of ARC, RC and BSC and a member of the NC on 22 June 2018.  
<sup>(2)</sup> Ms Tan Yee Peng was appointed the Chairman of the BSC on 22 June 2018.  
<sup>(3)</sup> Ms Lim Yin Nee Jenny was appointed a Director, the Lead ID, Chairman of ARC and RC and member of the Nominating Committee on 22 June 2018.  
<sup>(4)</sup> All Directors, including Mr Kwek Leng Beng (the Chairman of the Board) and Mr Chan Soon Hee Eric (the former chairman of the ARC, RC and BSC), except Mr Philip Yeo Liat Kok (the chairman of the NC), were in attendance at the AGM in 2018, together with the Senior Management and the Company's external auditors.

## BOARD APPROVAL

The Board has in place an internal guide wherein certain key matters are specifically reserved for approval by the Board and these include the decisions over the strategic direction and policies of the Group and its financial objectives which have or may have material impact on the profitability or performance of the Group; decisions to commence, discontinue or modify significantly any business activity or to enter into or withdraw from a particular market sector; corporate or financial restructuring; decisions over new borrowings or significant amendments to the terms and conditions of existing borrowings other than in the ordinary course of business; acquisition and disposal of assets/business undertakings based on an authorisation matrix approved by the Board; adoption of key corporate policies and any other matters which require Board approval as prescribed under the relevant legislations and regulations as well as the provisions of the Company's Constitution.

Aligned with the Company's strategy to develop growth platforms in key international markets, the Board has put in place an investment matrix with established authority limits in connection with the Group's investments for its property development, property investment, asset management and fund management platforms.

The BC comprises five Directors with the majority of its members being non-executive. The BC's principal responsibility as set out in its terms of reference, approved by the Board, is to assist the

Board in the discharge of its duties which include, in particular, assisting the Board in approving banking-related matters such as the opening, closing and maintenance of banking accounts of the Company and the acceptance of up to certain limits of banking facilities extended to the Company, operational matters relating to property development activities and other matters determined by the Board from time to time.

Management is fully apprised of such matters which require the approval of the Board or the Committees. The Company also has a structured authority matrix which sets out the delegated authority to various levels of Management.

## BOARD ORIENTATION AND TRAINING

Every newly appointed Director receives a formal letter, setting out his general duties and obligations as a Director pursuant to the relevant legislations and regulations. The new Director will also receive an induction pack containing information and documents relating to the roles, duties and responsibilities of a director (and where applicable, as a member of the Committees), the Group's principal businesses, the Company's Board processes and corporate governance practices, relevant Company policies and procedures as well as a board meeting calendar for the year with a brief of the routine agenda for each meeting of the Board and where applicable, the Committees.

The Company also conducts a comprehensive induction programme for newly appointed Directors and for existing



Directors pursuant to their appointments to any of the Committees, which seeks to familiarise Directors with the Group's principal businesses, the Company's board processes, internal controls and governance practices, and in the case of appointments to any of the Committees, the role and areas of responsibilities of such Committees. The induction programme includes meetings with various key executives of the Management to allow the new Directors to be acquainted with the Management team and to facilitate their independent access to the Management team in future. The programme also includes briefings by the Management team on key areas of the Company's operations.

For a first time Director who has no prior experience as a director of a listed company, in addition to the induction as detailed above, he or she will be encouraged to also attend the Listed Entity Director ("LED") Programme conducted by the Singapore Institute of Directors ("SID") in order to acquire relevant knowledge of what is expected of a listed company director. Completion of the LED Programme, which focuses on comprehensive training of company directors on compliance, regulatory and corporate governance matters, should provide the first time Director with a broad understanding of the roles and responsibilities of a director of a listed company under the requirements of the Companies Act, Chapter 50, the Listing Manual of SGX-ST ("Listing Manual") and the 2012 Code. The Company has noted that such training for first-time directors is now mandatory under the revised SGX Listing Rules.

Ms Lim Yin Nee Jenny was appointed an independent non-executive Director in June 2018. Ms Lim was previously an independent non-executive director of the manager and trustee-manager for CDL Hospitality Trusts from 2006 until she stepped down in April 2017. During her tenure as a director on these two boards, she was also the lead independent director and chairman of their audit and risk committees. With her experience as a director of a listed entity, there is no requirement for Ms Lim to undergo the basic training modules under the LED Programme. In addition to the abovementioned induction programme

conducted for Ms Lim, she also met with the various heads of department within the Company's operations and was briefed on their key functions.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, the Management and the Company Secretary in areas such as directors' duties and responsibilities, corporate governance practices, relevant legislations and regulations, risk management and financial reporting standards. The Directors are also regularly kept informed by the Company Secretary of the availability of appropriate courses, conferences and seminars such as those conducted by the SID, and the Directors are encouraged to attend such training at the Company's expense. The NC and the Board are kept informed of the trainings attended by the Directors during the year. As part of the NC's annual assessment of the skills set of the Board and the Committees, the NC would also recommend further training for the Directors in specific areas, if so required, to supplement the regular updates/briefings provided to the Directors from time to time.

Two in-house seminars were conducted by invited external speakers in 2018, on the following topics:

- 1 Innovation in the Marketplace: Emerging Trends and Insights, with focus on Blockchain Technology, Fintech and Smart Buildings
- 2 Ethical Standards and Culture: The Role of the Board
- 3 Unlocking Business Value from Sustainable Development Goals (SDG) Integration
- 4 Driving Business Performance through Sustainability Reporting
- 5 Sustainability Reporting by SGX-ST listed companies

The ARC members were also provided with regular briefings from the Company's external auditors on applicable Accounting Standards Updates during the year.

interest in transactions in which they have a direct/indirect interest, their ability to avoid any apparent conflicts of interests especially by abstaining from deliberation and decision-making on such transactions and their ability to maintain objectivity in their conduct as Directors of the Company.

The 5 IDs are Mr Philip Yeo Liat Kok, Mr Tan Poay Seng, Ms Tan Yee Peng, Mr Koh Thiam Hock and Ms Lim Yin Nee Jenny. In accordance with SGX Listing Rule 210(5)(d), none of the 5 IDs are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations. None of the 5 IDs have immediate family members who are currently employed or have been employed at any time during the past three financial years by the Company or any of its related corporations, and whose remuneration is determined by the RC. For purposes of determining independence, the 5 IDs have also provided confirmation that they are not related to the Directors and 5% shareholders of the Company. The NC is satisfied that there is no other relationship which could affect their independence. The Board concurred with the NC's determination of the independence of the 5 IDs.

In June 2018, Mr Chan Soon Hee Eric, who had served on the Board for more than six years, resigned as an independent non-executive Director of the Company and consequently also stepped down as Lead ID and from his other appointments on the various Committees. The Board extends its appreciation to Mr Chan for his dedicated service during his tenure on the Board.

Ms Lim Yin Nee Jenny was appointed as an independent non-executive Director in June 2018. Ms Lim was previously an independent non-executive director of the manager and trustee-manager for CDL Hospitality Trusts from 2006 until she stepped down in April 2017. During her tenure as a director on these two boards, she was also the lead independent director and chairman of their audit and risk committees. In addition to her experience as a director for a public listed entity, the NC also considered her extensive experience in corporate advisory, corporate reorganisations, and mergers and acquisitions as well as in enterprise risk functions, culled from her background as a partner of KPMG LLP from 1983 up to her retirement in 2001, and was of the view that her appointment to the Board would complement and strengthen the core competencies of the Board. Her appointment further advanced the Company's objective to promote diversity, especially gender diversity, on the Board. The Board currently has two female directors out of a total Board size of seven members.

Mr Philip Yeo Liat Kok, who will be seeking re-election at the Company's Annual General Meeting in April 2019, has served slightly more than nine years since his appointment to the Board on 11 May 2009. The NC and the Board concurred that Mr Yeo had maintained his independence throughout his service on the Board, having observed many instances of Mr Yeo's contribution

and objectivity in the review and evaluation of actions taken by or proposals from Management and his seeking of clarification, as and when necessary, in order to make informed decisions, whilst remaining open to other viewpoints. The Company has also benefited from his years of experience in his field of expertise. The NC and the Board therefore recommend the re-appointment of Mr Yeo as an independent Director of the Company.

The 5 IDs had also avoided apparent conflicts of interests especially by abstaining from deliberation on transactions in which they had a direct/indirect interest and were able to maintain objectivity in their conduct as Directors of the Company. They had objectively raised issues and sought clarification as and when necessary from the Board, Management and the Group's external advisers on matters pertaining to their area of responsibilities whether on the Board or on the Committees. During 2018, no conflicts of interests from IDs had arisen.

## BOARD COMPOSITION AND SIZE

### Board Diversity Pledge

The Board welcomes the push for greater diversity in the boardroom which can provide a more diverse approach to business decision-making and the Company had, on 28 August 2015, supported the Board Diversity Pledge initiated by SID and SGX-ST where the Company pledged its commitment to promote "diversity as a key attribute of a well-functioning and effective Board" and shared the view "that a diverse Board will enhance decision-making by harnessing the variety of skills, industry and business experiences, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service, and other distinguishing qualities of the members of the Board."

The NC reviews the size and composition mix of the Board and the Committees annually. At the recommendation of the NC, the Board had already adopted in 2017 a formal Board Diversity Policy, setting out its policy and framework for promoting diversity on the Board (*Note: aligned with Provision 2.4 of the 2018 Code*). The Board Diversity Policy is available on the Company's corporate website. The Board recognises that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

75% of the Board attended various training seminars and workshops in 2018 = Accounted for more than 90 training hours in aggregate

In addition to the training courses/programmes and briefing updates, Directors are also at liberty to approach Management should they require any further information or clarification concerning the company's operations.

## PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE BOARD INDEPENDENCE

The Board currently comprises seven members. All members of the Board, except for the Board Chairman, are NEDs. Of the six NEDs, based on the NC's recommendation the Board has determined five of them, being more than half of the Board,

to be independent ("5 IDs"), thus providing for a strong and independent element on the Board capable of exercising objective judgement on the corporate affairs of the Company. No individual or small group of individuals dominates the Board's decision-making. No alternate Directors have been appointed in respect of any of the Directors.

When reviewing the independence of the 5 IDs, the NC has considered the guidelines for independence set out in Guideline 2.3 of the 2012 Code. As part of the consideration, the NC also took into account their other directorships, annual declarations regarding their independence, disclosures of

# CORPORATE GOVERNANCE

When reviewing and assessing the composition of the Board and making recommendations to the Board for the appointment of Directors, the NC will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board.

The Board has adopted the NC's initial recommended target to achieve a level of at least 20% female representation on its Board by 2020. With the appointment of Ms Lim Yin Nee Jenny in 2018, the Board achieved its target ahead of 2020 with a female representation of 28.5% on the Board.

In this regard, the NC will try to ensure that:

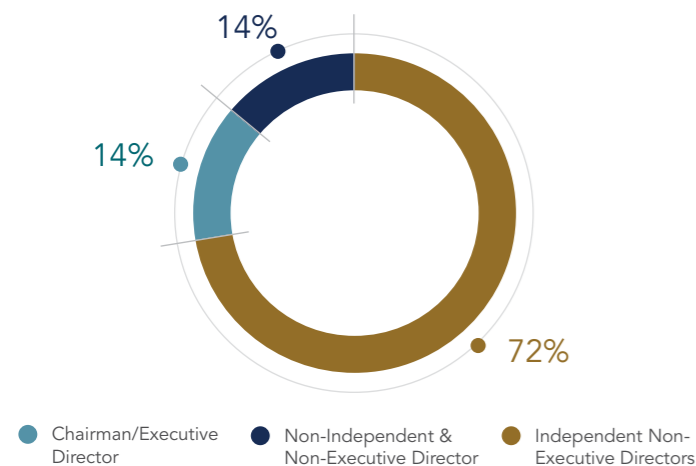
- (a) if external search consultants are used to search for candidates for Board appointments, the brief will include a requirement to also present female candidates;
- (b) when seeking to identify a new Director for appointment to the Board, the NC will request for female candidates to be fielded for consideration;
- (c) female representation on the Board be continually improved over time based on the set objectives of the Board; and
- (d) at least one female Director be appointed to the NC.

The final decision on selection of Directors will be based on merit against an objective criterion that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board.

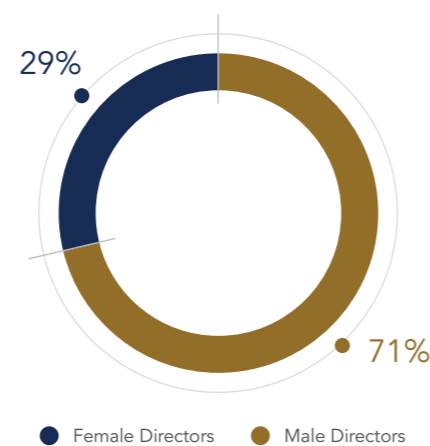
The Board currently comprises business leaders and professionals with real estate, hospitality, financial (including audit and accounting), legal, risk management and business management qualifications and backgrounds. When reviewing candidates for Board appointment, the NC will be considering candidates from other disciplines e.g. legal and information technology, in order to provide more diverse viewpoints and introduce new skills set to the Board.

The Board has two female members, and Directors with ages ranging from mid-40s to more than 70 years old, who have served on the Board for different tenures. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction. Further information on the individual Directors' background, experience and skills can be found in the 'Board of Directors' section in the AR.

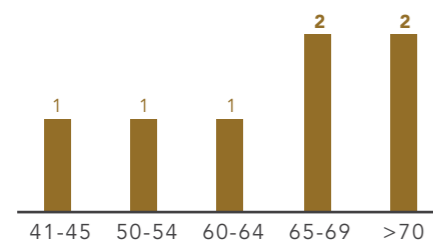
## BOARD COMPOSITION, DIVERSITY AND BALANCE INDEPENDENCE



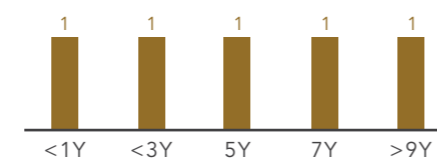
## GENDER DIVERSITY



## AGE GROUP OF OUR DIRECTORS (AS OF 31 DECEMBER 2018)



## INDEPENDENT DIRECTOR'S LENGTH OF SERVICE (AS OF 31 DECEMBER 2018)



Having considered the scope and nature of the operations of the Group, the Board is satisfied that the current composition mix and size of the Board provide for diversity and allow for informed and constructive discussion and effective decision making at meetings of the Board and Committees. The Board will however continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

## NEDs' PARTICIPATION

NEDs are encouraged to participate actively at Board meetings in the development of the Company's strategic plans and direction, and in the review and monitoring of Management's performance against targets. To facilitate this, they are kept informed of the Company's businesses and performance through monthly and quarterly reports from the Management and have unrestricted access to the Management. They also sit on various Committees established by the Board to provide unbiased and independent views, constructive input and the independent review and monitoring of performance of the Company and Management. A meeting of the NEDs chaired by the Lead ID was held in 2018 without the presence of Management. The NEDs would also confer among themselves without the presence of Management as and when the need arose.

## PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER ROLE OF THE EXECUTIVE CHAIRMAN AND THE GROUP CHIEF EXECUTIVE OFFICER

The Chairman of the Board, Mr Kwek Leng Beng, is also the Executive Chairman. Mr Kwek Leng Beng plays an instrumental role in providing the Company with strong leadership and vision, leading the Board in its review of the Group's strategies for sustainable growth. As the Board Chairman with written terms of reference approved by the Board, Mr Kwek also promotes and leads the Group in its commitment to achieve and maintain high standards of corporate governance. He bears primary responsibility for the workings of the Board, by ensuring effectiveness in all aspects of its role including setting agenda for Board meetings with input from Management, ensuring sufficient allocation of time for thorough discussion of each agenda item at Board meetings, promoting an open environment within the Boardroom for constructive debate, encouraging the NEDs to speak freely and contribute effectively, and exercising control over the quality, quantity and timeliness of information flow between the Board and Management. At AGMs and other shareholders' meetings, he plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

As Executive Chairman, he is the most senior executive in the Company and bears overall executive responsibility for the Group's business. Mr Kwek Leng Beng is assisted by the Group CEO, Mr Sherman Kwek, and other members of the Senior

Management team. Mr Sherman Kwek, who took over the role and responsibilities of the Group CEO with effect from 1 January 2018, is responsible for setting and implementing the business direction and strategies for the Group as endorsed by the Board, and for management oversight of the Group's performance. He is related to the Executive Chairman, being his elder son.

The Board considered Mr Kwek Leng Beng's role as an executive Board Chairman, the written terms of reference for the Board Chairman approved by the Board, and the strengths he brings to such a role by virtue of his stature and experience. Through the establishment of various Committees with power and authority to perform key functions without the undue influence from the Board Chairman, and the putting in place of internal controls for proper accountability and to allow for effective oversight by the Board of the Company's business, the Board ensures there is appropriate balance of power which allows the Board to exercise objective decision-making in the interests of the Company. The Board is of the view that Mr Kwek Leng Beng's role as an executive Board Chairman would continue to facilitate the Group's decision-making and implementation process.

## LEAD INDEPENDENT DIRECTOR

Taking cognisance that the Board Chairman is an Executive Director and thus not independent, the Board has appointed Ms Lim Yin Nee Jenny as Lead ID on 22 June 2018 to serve as a sounding board for the Board Chairman and also as an intermediary between the NEDs and the Board Chairman. This position of Lead ID was previously held by Mr Chan Soon Hee Eric, prior to his resignation from the Board on 22 June 2018. The role of the Lead ID is set out under the written terms of reference for the Lead ID, which has been approved by the Board. The Lead ID is available to shareholders should they have concerns which cannot be resolved or are inappropriate to raise through the normal communication channels of the Board Chairman or the Senior Management. No query or request on any matter which requires the Lead ID's attention was received from shareholders in 2018. Under the chairmanship of the Lead ID, a meeting of the NEDs was convened in 2018 without the presence of Management or the Board Chairman, and the views expressed by the NEDs was communicated by the Lead ID to the Board Chairman and the Management, as appropriate.

## PRINCIPLE 4: BOARD MEMBERSHIP

### NC COMPOSITION AND ROLE

Three out of the four members of the NC, including the NC chairman, are independent. The Lead ID is one of the independent members of the NC.

The NC's responsibilities as set out in its written terms of reference approved by the Board, are to examine Board size, review all Board and Committees composition and membership, board succession plans for the Directors, determine each Director's



independence annually and as and when circumstances require, evaluate performance of the Board as a whole, its Committees and the individual Directors, review appointments and the reasons for resignations and terminations of the Executive Chairman and the Senior Management which includes the Group CEO, the Group General Manager ("Group GM"), the Group Chief Strategy Officer ("Group CSO"), the Group Chief Investment Officer ("Group CIO"), the Group Chief Financial Officer ("Group CFO") and other relevant Senior Management staff, review and confirm the induction programmes for newly appointed Directors and for existing Directors in respect of their appointments to any of the Committees and review the training and continuous professional development programme for the Directors. Four NC meetings were held in 2018. The Company Secretary maintains records of all NC meetings including records of discussions on key deliberations and decisions taken.

For the financial year under review, the NC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("NC Self-Assessment Checklist"). The NC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the NC under its terms of reference and considered also the contributions of NC members to the deliberation and decision-making process at NC meetings.

Based on the self-assessment, the NC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

## RE-NOMINATION OF DIRECTORS

The NC reviews annually the nomination of the relevant Directors for election and re-election as well as the independence of Directors. When considering the nomination of Directors for election and re-election, the NC takes into account their contribution to the effectiveness of the Board (which includes their participation and candour at Board and Committee meetings) as well as their time commitment especially for Directors who have multiple board representations and/or other principal commitments, and also reviews their independence. The recommendation of the NC on the annual nomination of the Directors for election and re-election is submitted to the Board for decision and thereafter tabled at the annual general meeting of the Company for consideration and approval by shareholders.

The Constitution of the Company provides that not less than one-third of the Directors for the time being, shall retire as Directors at each annual general meeting of the Company ("AGM"). All new Directors appointed by the Board shall hold office until the next AGM and are eligible for election at the said AGM.

In accordance with the Constitution of the Company, Mr Philip Yeo Lai Kok and Mr Tan Poay Seng are due to retire by rotation at the forthcoming AGM ("2019 AGM") and have

offered themselves for re-election at the 2019 AGM. Ms Lim Yin Nee Jenny, being a Director appointed by the Board in 2018, will also retire and has offered herself for election at the 2019 AGM. The NC has considered their contribution and performance and recommended to the Board to nominate their re-election/ election at the 2019 AGM.

As mentioned on page 37 of this report, Mr Philip Yeo Liat Kok, who will be seeking re-election at the 2019 AGM, has served slightly more than nine years since his appointment to the Board on 11 May 2009. The NC and the Board concurred that Mr Yeo had maintained his independence throughout his service on the Board, having observed many instances of Mr Yeo's contribution and objectivity in the review and evaluation of actions taken by or proposals from Management and his seeking of clarification, as and when necessary, in order to make informed decisions, whilst remaining open to other viewpoints. The Company has also benefited from his years of experience in his field of expertise. The NC and the Board therefore recommend the re-appointment of Mr Yeo as an independent Director of the Company.

## CRITERIA AND PROCESS FOR NOMINATION AND SELECTION OF NEW DIRECTORS

The NC interviews shortlisted candidates before formally considering and recommending them for appointment to the Board and where applicable, to the Committees. Searches for potential candidates generally take into account recommendations from the Directors and various other sources, including candidates suggested by SID, the Council for Board Diversity and other relevant organisations. Should it be necessary, the NC may consider the use of external search firms to find appropriate candidates. Shortlisted candidates would be required to furnish their curriculum vitae containing information on their academic/professional qualification, work experience, employment history and experience (if any) as directors of listed companies.

In reviewing and recommending to the Board any new Director appointments, the NC considers: (a) the candidate's track record, experience and capabilities or such other factors including age and gender, as may be determined by the NC to be relevant and which would contribute to the Board's collective skills; (b) any competing time commitments if the candidate has multiple listed company board representations and/or other principal commitments; (c) the candidate's independence, in the case of the appointment of an independent NED; and (d) the composition requirements for the Board and Committees after matching the candidate's skills set to the requirement of the relevant Committees (if the candidate is proposed to be appointed to any of the Committees).

## DIRECTORS' TIME COMMITMENTS

When considering the re-nomination of Directors for re-election, the NC also takes into account the competing time commitments

faced by Directors with multiple board representations and/or other principal commitments. An analysis of the directorships (which includes directorships by groups and executive appointments) held by the Directors is reviewed annually by the NC. Each Director is also required to confirm annually to the NC as to whether he or she has any issue with competing time commitments which may impact his or her ability to provide sufficient time and attention to his or her duties as a Director of the Company. Based on the analysis, the Directors' annual confirmation and the Directors' commitments and contributions to the Company which are also evident in their level of attendance and participation at Board and Committee meetings, the NC is satisfied that all Directors are able to carry out and have been adequately carrying out their duties as a Director of the Company.

It is recommended under the 2012 Code that the Board consider providing guidance on the maximum number of listed company representations which each Director of the Company may hold in order to address competing time commitments faced by Directors serving on multiple boards. The NC noted that, excluding the directorship held in the Company, the number of listed company board representations currently held by each of the Directors ranged from one to six in number and those held by Mr Kwek Leng Beng and Mr Kwek Leng Peck are on the boards of the related companies of the Company.

Having considered this issue, the NC does not recommend setting a maximum number of listed company board representations that a Director may hold. The Company considers an assessment of the individual Directors' participation as described above to be more effective for the Company than prescribing a numerical limit on the number of listed company directorships that a Director may hold. It would not wish to omit from consideration suitable individuals who, despite the demands of their time, have the capacity to participate and contribute as members of the Board.

In addition to the current procedures for the review of the attendance records and analysis of directorships, a policy has also been put in place for Directors to consult the Board Chairman or the chairman of the NC with regard to accepting any new listed company board appointment or principal commitment and notifying the Board of any changes in their external appointments. This would allow the Director to review his or her time commitments with the proposed new appointment and in the case of an independent Director, to also ensure that his or her independence would not be affected.

## KEY INFORMATION ON DIRECTORS

Please refer to the 'Board of Directors' section in the AR for key information on the Directors, including their date of first appointment and latest re-appointment to the Board, their academic/professional qualification, major appointments, directorships held in listed companies both currently and in

the preceding three years, and other relevant information; 'Additional Information on Directors seeking election/re-election at the 56th Annual General Meeting'; and the Notice of AGM for information on Directors proposed for re-election at the 2019 AGM.

## SUCCESSION PLANNING FOR THE BOARD, THE BOARD CHAIRMAN AND SENIOR MANAGEMENT

The Board believes in carrying out succession planning for itself, the Board Chairman and the Senior Management team to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews annually the composition of the Board and Committees, which includes size and mix, and recommends to the Board the selection and appointment of new Directors, whether in addition to the existing Board members or as replacement of retiring Board members, with a view to identifying any gaps in the Board's skills set taking into account the Group's business operations. The Board will be able to function smoothly notwithstanding any resignation or retirement of any Director given the present number of members and mix of competencies on the Board.

As part of the ongoing Board renewal process, Mr Chan Soon Hee Eric, an independent NED, who had served on the Board for more than six years, stepped down as Director in June 2018. He was replaced by Ms Lim Yin Nee Jenny who was appointed an independent NED at the same time. The NC had considered her extensive experience in corporate advisory, corporate reorganisations, and mergers and acquisitions as well as in enterprise risk functions, culled from her background as a partner of KPMG LLP from 1983 up to her retirement in 2001, and was of the view that her appointment to the Board would complement and strengthen the core competencies of the Board. She also had the relevant audit and accounting background and experience to chair the ARC of the Company.

On 1 January 2018, Mr Sherman Kwek assumed full responsibilities as the Group CEO of the Company. Mr Sherman Kwek had previously held the role of Deputy CEO and thereafter, taken on the role of CEO-Designate when the Company had announced the resignation of Mr Grant Lewis Kelley as CEO of the Company and his effective date of departure on 31 December 2017. This process allowed for a smooth transition and continuity of leadership at the Senior Management level.

In January 2018, the Board also announced the appointment of a Group Chief Investment Officer, Mr Frank Khoo, who assists the Group CEO in the sourcing and execution of new investment opportunities while also setting up a dedicated fund management platform. This appointment was in accordance with the Board's plan to recruit a senior fund management professional to maintain the momentum of the fund management and acquisition programmes launched over the past years.

## BOARD DEVELOPMENT

The NC reviews the training and development of the Directors to ensure that Directors receive appropriate development on a continuing basis, to perform their roles on the Board and where applicable, the Committees. The Directors are provided with updates and/or briefings to assist them to properly discharge their duties. The briefings are conducted either internally with invited speakers, or externally, at the Company's expense. A separate programme is established for new Directors, details of which together with details of the internal briefing and updates provided to the Directors in 2018 are set out in the paragraph under the subject heading "Board Orientation and Training".

The Board is kept apprised twice yearly on the list of training programmes attended by the Directors during the year.

## PRINCIPLE 5: BOARD PERFORMANCE

### BOARD EVALUATION PROCESS

The Company has in place a formal process for assessment of the effectiveness of the Board as a whole, the various Committees and the contribution by each Director to the effectiveness of the Board and the Committees. No external facilitator has been used. The NC assesses the Board's performance as a whole annually, using objective and appropriate quantitative and qualitative criteria which were recommended by the NC and approved by the Board. When assessing the overall Board performance, the NC takes into consideration the feedback from individual Directors on areas relating to the Board's role on strategy and performance, the Board's process and governance (including oversight on risk management and internal controls), the Board's competencies and effectiveness and the effectiveness of the Board Chairman. The results of the overall evaluation of the Board by the NC, including its recommendation, if any, for improvements, are presented to the Board.

The NC also undertook an evaluation of the performance of the Committees, specifically the ARC, the RC and the BSC with the assistance of self-assessment checklists completed by these Committees.

The annual evaluation process for the individual Director's performance comprises two parts: (a) review of background information concerning the Director including his attendance records at Board and Committee meetings; and (b) NC's evaluation based on certain assessment parameters, which were recommended by the NC and approved by the Board.

When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The results of the individual evaluation of the Directors are also used by the NC, in its consultation with the Board Chairman

(who is also a member of the NC), to review, where appropriate, the composition of the Board and Committees, and to support its proposals, if any, for appointment of new members and its recommendations for the election and re-election of retiring Directors. The Board Chairman, as a member of the NC, is fully apprised of the results of the performance evaluation for the individual Directors and would take into consideration such evaluation and act as appropriate on the recommendations of the NC. Comments from the Directors, if any, concerning the Board as a whole and the general performance of the Directors, are also presented to the Board.

## BOARD EVALUATION CRITERIA

The qualitative criteria used by the NC to evaluate the Board covers six key areas relating to Board composition, Board independence, Board's review of the Company's strategy and performance, Board's oversight on the Company's governance, including risk management and internal controls, and the effectiveness of the Board Chairman and Board processes.

The quantitative criteria used to evaluate the overall Board performance comprises quarterly performance indicators which include a comparison of the Group's performance (including segmental performance) for the financial period under review against the Group's performance for the corresponding period in previous years and also vis-à-vis industry peers and industry averages, and other indicators such as the Company's share price performance over a historical period and vis-à-vis industry peers.

## INDIVIDUAL DIRECTOR EVALUATION CRITERIA

Factors taken into account in the assessment of a Director's performance include his abilities and competencies, his objectivity and the level of participation at Board and Committee meetings including his knowledge and contribution to Board processes and the business strategies and performance of the Group.

## PRINCIPLE 6: ACCESS TO INFORMATION

### COMPLETE, ADEQUATE AND TIMELY INFORMATION AND ACCESS TO MANAGEMENT

Prior to each meeting, members of the Board and the Committees are provided with the meeting agenda and the relevant papers submitted by the Management, containing complete, adequate and timely information to enable full deliberation on the issues to be considered at the respective meetings. Management, the Company's auditors and professional advisers who can provide additional insight into the matters for discussion are also invited from time to time to attend such meetings. Management also provides all Directors with monthly updates on the Company's financial performance including an analysis of the same, with material variances between the comparative periods disclosed and explained. Where the Board's or a Committee's approval is sought, relevant background and explanatory information on the specific matter is provided to enable Directors to understand

the issues and to request for further disclosures, as necessary. All Directors have separate and independent access to Management.

Draft agendas for Board and Committee meetings are circulated to the Board Chairman and the chairmen of the Committees respectively, in advance, for them to review and suggest items for the agenda. The Board and Committees are also furnished routine reports, where applicable, from the Management. Each of the chairmen of the ARC, NC, RC and BSC provides an annual report of the respective Committees' activities during the year under review to the Board. The minutes of meetings of the Committees are circulated to all Board members.

## COMPANY SECRETARY

The Company Secretaries, whose appointment and removal are subject to the Board's approval, attend all Board and Committee meetings and ensure that all Board procedures are followed. The Company Secretaries, together with Management, also ensure that the Company complies with applicable statutory and regulatory rules. Together with the Management, the Company Secretaries also advise the Board Chairman, the Board and the Committees on corporate governance matters and assist to implement and strengthen corporate governance practices and processes, including ensuring good information flow within the Board and the Committees and between Management and the Directors, facilitating the induction for newly appointed Directors and newly appointed Committee members, and assisting in the continuing training and development programme for the Directors. On an on-going basis, the Directors have separate and independent access to the Company Secretaries.

## INDEPENDENT PROFESSIONAL ADVICE

The Directors, whether as a group or individually, are entitled to take independent professional advice at the expense of the Company, in furtherance of their duties and in the event that circumstances warrant the same. The Company has in place internal guidelines allowing the Directors to seek independent professional advice.

## REMUNERATION MATTERS

### PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

#### RC COMPOSITION AND ROLE

The RC comprises three NEDs, all of whom including the chairman of the RC are independent. The RC's principal responsibilities, as set out in its written terms of reference approved by the Board, are to review and recommend, for the endorsement of the Board, a framework of remuneration and the specific remuneration packages for each Board member and the Company's key management personnel ("KMP").

The Company has in place a remuneration framework (which covers all aspects of remuneration) for the Directors and the KMP. The Company has currently identified the Group CEO, the Group GM, the Group CSO, the Group CIO and the Group CFO, who are the most senior members of the Management team outside the Board, as its KMPs. On an annual basis, the RC reviews and approves the annual increments, year-end and variable bonuses to be granted to the Executive Chairman and the KMPs which are within specific mandates sought from the Board. The RC also considers the contracts of employment of the KMPs to ensure that they do not contain any unfair or unreasonable termination clauses.

There being no specific necessity, the RC did not seek expert advice from external remuneration consultants from outside the Hong Leong Group in 2018.

The Company Secretary maintains records of all RC meetings including records of discussions on key deliberations and decisions taken. Two meetings of the RC were convened in 2018.

For the financial year under review, the RC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("RC Self-Assessment Checklist"). The RC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the RC under its terms of reference, and considered also the contribution of RC members to the deliberation and decision-making process at RC meetings.

Based on the self-assessment, the RC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

## PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

### REMUNERATION OF DIRECTORS AND KMPs

The Company's remuneration policy for Directors comprises the following distinct objectives:

- to ensure that the procedure for determining remuneration for Directors is formal and transparent;
- to ensure that the level of remuneration is sufficient (without being excessive) to attract and retain Directors to exercise oversight responsibility over the Company; and
- to ensure that no Director is involved in deciding on his own remuneration.

In reviewing the remuneration packages of the Executive Chairman and the KMPs, the RC, with the assistance of the human resource advisers or consultants within the Hong Leong Group, considers the level of remuneration based on the Company's remuneration policy which comprises the following distinct objectives:



## CORPORATE GOVERNANCE

- to reward employees for achieving corporate and individual performance targets in a fair and equitable way; and
- to ensure that the remuneration reflects employees' duties and responsibilities.

The Company advocates a performance-based remuneration system that is flexible and responsive to the market, and the performance of the Group's business units and individual employees. In designing the compensation structure, the Company seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between the current and longer term objectives of the Company.

Based on the Remuneration Framework, the remuneration packages for the Executive Chairman and KMPs comprise a fixed component (in the form of a base salary, a 13th month Annual Wage Supplement and, where applicable, fixed allowances determined by the Company's Human Resource policies) and variable components (which would normally comprise short-term incentives in the form of year-end and variable bonuses) together with benefits-in-kind, if any.

When determining the fixed and variable components for a KMP, the KMP's individual performance is taken into consideration and remuneration recommendations are reviewed in the light of any annual guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resource department.

This is further reviewed along with the Group's performance, taking into consideration specific key performance indicators (involving financial and non-financial indicators) tracked over time using the Company's balanced scorecard system that sets out the targets to be achieved by the Company based on its short and long term objectives, which are cascaded down to the various business units. The Company exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. 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.

Whilst the Company currently does not have a share option or long-term incentive scheme in place, it will consider the establishment of other forms of longer term incentive as and when appropriate. When such long-term incentive scheme is established in due course with the assistance of external advisers, the Company will consider the inclusion of claw-back provisions within the scheme which would give the right to the Company to reclaim incentive components from participants in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company.

The Company currently does not discourage Directors from holding shares in the Company but note that there is no

requirement under the Company's Constitution for Directors to hold shares in order to be qualified to act as a Director.

When reviewing the structure and level of Directors' fees, which comprise base director's fee and additional fees for services rendered on Committees, the RC takes into consideration the Directors' respective roles and responsibilities in the Board and Committees and the changes in the business, corporate governance practices and regulatory rules. The RC also compared the Company's fee structure against industry practices. Other factors taken into consideration in the fee review include the frequency of Board and Committee meetings, corporate performance for the financial year under review as well as the corporate and economic outlook in the new financial year, and the interval since the last fee review. The RC is mindful that the remuneration for IDs should not be excessive so as to compromise or reasonably be perceived to compromise their independence. No Director is involved in deciding his or her own remuneration.

Each of the Directors receives a base Director's fee. The Lead ID also receives an additional fee to reflect his or her expanded responsibility. Directors who serve on the various Committees (other than the BC) also receive additional fees in respect of each Committee that they serve on, with the chairmen of the Committees (other than the BC) receiving a higher fee in respect of their service as chairman of the respective Committees.

The structure of the fees payable to Directors of the Company for FY 2018 is as follows:

Appointment	Per annum
Board of Directors	
– Base fee	\$90,000
Audit & Risk Committee	
– ARC Chairman's fee	\$90,000
– ARC Member's fee	\$70,000
Nominating Committee	
– NC Chairman's fee	\$22,000
– NC Member's fee	\$15,000
Remuneration Committee	
– RC Chairman's fee	\$22,000
– RC Member's fee	\$15,000
Board Sustainability Committee	
– BSC Chairman's fee	\$8,000
– BSC Member's fee	\$5,000
Lead Independent Director's fee	\$12,000

### PRINCIPLE 9: DISCLOSURE OF REMUNERATION

#### DISCLOSURE OF REMUNERATION

The compensation packages for employees including the Executive Chairman and the KMPs comprised a fixed component (in the form of a base salary and fixed allowances), a variable component (which would normally include year-end and variable bonuses) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

During the year, there was no termination, retirement or post-employment benefits granted to any Director or KMP.

Directors' and Group CEO's remuneration for FY 2018, rounded off to the nearest thousand dollars including a breakdown in percentage terms of the components of the remuneration, is set out below:

	Base Salary* %	Variable Bonuses/ Allowances* %	Board/ Committee Fees** %	Other Benefits %	Total \$'000
<b>Executive Director</b>					
Kwek Leng Beng <sup>^</sup>	15	77	7	1	8,868
<b>Non-executive Directors</b>					
Kwek Leng Peck <sup>^</sup>	–	–	100	–	198
Philip Yeo Liat Kok	–	–	100	–	132
Tan Poay Seng	–	–	100	–	95
Chan Soon Hee Eric <sup>(1)</sup>	–	–	100	–	112
Tan Yee Peng	–	–	100	–	179
Koh Thiam Hock	–	–	100	–	175
Lim Yin Nee Jenny <sup>(2)</sup>	–	–	100	–	121
<b>Group Chief Executive Officer</b>					
Sherman Kwek Eik Tse <sup>(3)^</sup>	38	60	^^	2	2,258

#### NOTES:

\* The salary and variable bonuses/allowances are inclusive of employer's central provident fund contributions.

\*\* These fees comprise Board and Committee fees for FY 2018, which are subject to approval by shareholders as a lump sum at the 2019 AGM.

<sup>^</sup> Remuneration of these Directors includes remuneration paid or payable by subsidiaries of the Company.

<sup>^^</sup> Not meaningful.

<sup>(1)</sup> Mr Chan Soon Hee Eric resigned as a Director of the Company on 22 June 2018 and the Board and Committee fees payable to him are pro-rated for FY 2018 accordingly.

<sup>(2)</sup> Ms Lim Yin Nee Jenny was appointed as a Director of the Company with effect from 22 June 2018 and the Board and Committee fees payable to her are pro-rated for FY 2018 accordingly.

<sup>(3)</sup> Mr Sherman Kwek Eik Tse was appointed as Group Chief Executive Officer with effect from 1 January 2018.

#### REMUNERATION OF KEY MANAGEMENT PERSONNEL (KMP)

Remuneration for KMP comprise a fixed component (in the form of a base salary, a 13th month Annual Wage Supplement and, where applicable, fixed allowances determined by the Company's Human Resource policies) and variable components (which would normally comprise short-term incentives in the form of year-end and variable bonuses) together with benefits-in-kind, if any.

When determining the fixed and variable components for a KMP, the KMP's individual performance is taken into consideration

and remuneration recommendations are reviewed by the RC in the light of any annual guidance from the National Wages Council, competitive market practices and information gathered from market surveys conducted by the Company's Human Resource department. This is further reviewed along with the Group's performance, taking into consideration specific key performance indicators (involving financial and non-financial indicators) tracked over time using the Company's balanced scorecard system that sets out the targets to be achieved by the Company based on its short and long term objectives, which are cascaded down to the various business units. The Company exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the

interests of shareholders and promote the long-term success of the Company. 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 KMPs (who are not Directors or the Group CEO) in 2018 have been identified as follows:

1. Mr Chia Ngiang Hong, Group General Manager
2. Mr Kwek Eik Sheng, Group Chief Strategy Officer
3. Mr Frank Khoo, Group Chief Investment Officer
4. Ms Yiong Yim Ming, Group Chief Financial Officer

The aggregate remuneration paid to all of the above top KMPs of the Company in FY 2018, including the Group CEO, is \$8,205,855 which amount included directors' fees paid or payable by subsidiaries of the Group.

As set out above, the Company has taken the further step to identify its KMPs and provided disclosure of the aggregate remuneration paid to these KMPs for FY 2018. The Company however maintains its view that it is not in its interest to disclose the remuneration of each of its KMP, whether in bands of \$250,000 or to the nearest thousand dollars. Having considered the highly competitive human resource environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure of specific remuneration information may give rise to recruitment and talent retention issues. There would be negative impact to the Company if members of the experienced and qualified senior management team are poached, which may affect the ability to both nurture a sustainable talent pool and ensure the smooth continuity in leadership needed for the achievement of the strategic objectives of the Company. The Company believes that shareholders' interest will not be prejudiced as a result of such non-disclosure of the remuneration for each of the Company's KMP, and with the Company's disclosure on the aggregate remuneration of the identified KMPs, shareholders are provided an insight into the level of remuneration paid to the identified KMPs.

## REMUNERATION OF DIRECTORS' IMMEDIATE FAMILY MEMBERS FOR FY 2018

There are no other employees of the Company who are immediate family members of a Director or the Group CEO, and whose remuneration exceeds \$100,000 during the year.

## ACCOUNTABILITY AND AUDIT

### PRINCIPLE 10: ACCOUNTABILITY

#### ACCOUNTABILITY OF THE BOARD AND MANAGEMENT

The Board provides shareholders with quarterly and annual financial results. Results for the first, second and third quarter

are released to shareholders within 45 days of the end of each quarter whilst annual results are released within 60 days from the financial year end. In presenting the Group's annual and quarterly results, the Board aims to provide shareholders with a balanced and understandable assessment of the Group's performance and financial position with a commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which it operates.

For the financial year under review, the Group CEO and the Group CFO provided assurance to the ARC on the integrity of the quarterly unaudited financial statements and the Board in turn provided a negative assurance confirmation in respect of the unaudited financial statements for the first, second and third quarters in accordance with the regulatory requirements.

The Management provides all Directors with monthly financial summary of the Group's performance.

The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has established various corporate policies as necessary which provide a communicable and understandable framework for staff to observe the Company's principles on honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with the Company's stakeholders, including customers, suppliers and employees. Further details of these policies are described in the segment entitled "Corporate Values and Conduct of Business" at the end of this report.

### PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group and the adequacy and effectiveness of the Group's system of internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems. The boards and their board committees, comprising a majority of independent directors, of the Group's separately listed subsidiaries are responsible for the oversight of their respective groups' corporate governance, and to ensure the adequacy and effectiveness of their respective groups' internal controls and risk management systems. The Directors of the Company rely on the boards and board committees of these listed subsidiaries to ensure that steps are taken for adoption and implementation of appropriate corporate governance practices, internal controls and risk management systems within their respective groups. Further information on the corporate governance practices, internal controls and risk management systems of the Group's listed subsidiaries can be found in the corporate governance statements of these public listed subsidiaries as published in their respective annual reports.

The ARC assists the Board in providing oversight of risk management in the Company. It is responsible for reviewing the adequacy and effectiveness of the Group's risk management systems and internal controls, including financial, operational, compliance and IT controls and reporting to the Board annually its observations on any matters under its purview including any risk management, internal controls or financial and management matters as it considers necessary and makes recommendations to the Board as it thinks fit. In this regard, the ARC takes into account the primary responsibility of the boards and audit and risk committees of the Group's listed subsidiaries for their own internal controls and risk management systems.

The Company has in place an Enterprise Risk Management Framework, which was reviewed and updated in 2018. The implementation and maintenance of the Company's risk management framework is undertaken by the Risk Management Committee, comprising the senior management team, which in turn reports to the ARC on a quarterly basis on strategic business risks as well as provides updates on the risk management activities of the Company's property investment, development and management businesses and the Enterprise Risk Management implementation progress in the Company. Significant strategic risks identified are assessed, managed and monitored adequately within the Company's risk management framework. These strategic risks are also being reviewed and refreshed to ensure relevant emerging risks are being considered and included for proper assessment, monitoring and reporting as appropriate. The risk management framework includes a periodic review of the risk appetite statements and risk tolerance limits for these strategic risks, which statements and limits are considered and endorsed by the ARC and the Board.

Having regard to the risks which the business is exposed, the likelihood of such risks occurring and the risk tolerance accepted by the Company, the internal controls structure of the Group has been designed and put in place by the Group's business units to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgement in decision-making, losses, fraud or other irregularities.

The Company's approach to risk management is set out in the "Risk Management" section on pages 55 to 60 of this AR.

As part of the internal and external audit programmes, the internal and external auditors report to the ARC any audit findings relating to internal controls, and the ARC reviews the

adequacy of the actions taken by Management to address the recommendations of the internal and external auditors.

The ARC reviewed the adequacy and effectiveness of the Group's internal controls that address the Group's financial, operational, compliance and IT risks, with the assistance of the internal and external auditors and the Management.

- (i) Taking into account Provision 9.2 of the 2018 Code: written assurance was received from the Group CEO and the Group CFO that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- (ii) written assurance was received from the Group CEO and the KMPs that the Group's risk management and internal controls systems in place were adequate and effective to address the financial, operational, compliance and IT risks in the context of the current scope of the Group's business operations.

The Group's separately listed subsidiaries are all subsidiaries/ associated companies under M&C, the Group's London-listed subsidiary. As their respective boards are responsible for the oversight of their respective groups' internal controls and risk management systems, written assurance is received from the CEO and CFO of M&C, on the adequacy and effectiveness of the risk management and internal controls systems of M&C Group. Furthermore, the Audit & Risk Committee of M&C provides written confirmation of the adequacy and effectiveness of the internal controls and risk management systems of M&C Group.

Based on the work performed by Internal Auditors during the financial year, as well as the statutory audit by the external auditors, and the written assurance from Management, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls in place as at 31 December 2018 to address the financial, operational, compliance and IT risks are adequate and effective in the context of the current scope of the Group's business operations.

Management will continue to review and strengthen the Group's control environment and devote resources and expertise towards improving its internal policies and procedures to maintain a high level of governance and internal controls.



# CORPORATE GOVERNANCE

## PRINCIPLE 12: AUDIT & RISK COMMITTEE

### COMPOSITION OF THE ARC

The ARC comprises three NEDs, all of whom including the chairman of the ARC are independent. The chairman of the ARC and at least one other member of the ARC, being the majority of the ARC, possess the relevant audit, accounting or related financial management and risk management expertise and experience, whilst the remaining member of the ARC possesses financial and risk management background.

With the current composition, the ARC believes that it has the relevant accounting and related financial management expertise and experience to discharge its functions within its written terms of reference which has been approved by the Board.

Based on the terms of reference of the ARC, a former partner or director of the Company's existing auditing firm or auditing corporation should not act as a member of the ARC: (a) within a period of two years commencing on the date of his or her ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he or she has any financial interest in the auditing firm or auditing corporation. Although two of the ARC members, namely Ms Lim Yin Nee Jenny and Ms Tan Yee Peng, were previously partners of the Company's existing auditors, KPMG LLP, they have ceased to be partners more than 10 years ago, and confirmed that they do not have any financial interest in KPMG LLP. The remaining ARC member does not have any relationship with the Company's existing auditors.

### POWERS AND DUTIES OF THE ARC

The ARC is authorised by the Board to review or investigate any matters it deems appropriate within its terms of reference and has direct and unrestricted access to the external and internal auditors. It may invite any Director, Management, officer or employee of the Company to attend its meetings. It is also authorised to engage any firm of accountants, lawyers or other professionals as it sees fit to provide independent counsel and advice to assist in the review or investigation on such matters within its terms of reference as it deems appropriate at the Company's expense.

The principal responsibility of the ARC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the adequacy and effectiveness of the Group's financial reporting

process (including reviewing the accounting policies and practices of the Company and the Group on a consolidated basis) and key internal controls, including financial, operational, compliance, IT and risk management controls. Other duties within its written terms of reference include:

- to review with Management and, where appropriate, with the external auditors the significant financial reporting issues and judgements so as to ensure the integrity of the quarterly and full year financial statements of the Group to be issued by the Company before their submission to the Board and any other formal announcements relating to the Group's financial performance;
- to review annually the scope and results of the external audit and the independence and objectivity of the external auditors, and in this regard to also review the nature and extent of any non-audit services provided by the external auditors to the Group;
- to make recommendations to the Board on the nomination for the appointment, re-appointment and removal of external auditors, and to approve the remuneration and terms of engagement of the external auditors;
- to assess the role and effectiveness of the internal audit ("IA") function in the overall context of the Group's internal controls and risk management systems, and to consider the results of their review and evaluation of the Group's internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems;
- to approve the appointment, resignation or dismissal of the Head of IA;
- to review interested person transactions falling within the scope of Chapter 9 of the Listing Manual; and
- to oversee the establishment and operation of the Company's whistle-blowing policy and arrangements put in place for raising concerns about possible improprieties on matters of financial reporting or any other matters.

In the review of the financial statements for the year ended 31 December 2018, the ARC has discussed with both the Management and the external auditors the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with Management and the external auditors:

Significant Matters	How the ARC reviewed these matters and what decisions were made
Valuation of development properties	<p>The ARC considered the approach and methodology applied in assessing the net realisable values of development properties especially development properties with low margins.</p> <p>Where applicable, the ARC reviewed either the Management's or the valuers' underlying assumptions on estimated future selling prices by comparing to recent transacted price or prices of comparable properties located in the vicinity of the Group's development projects. The ARC also noted the historical accuracy of the Management's estimate of future selling prices in assessing the reasonableness of the estimated future selling prices.</p> <p>The valuation of the development properties was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2018. Refer to page 110 of this AR.</p>
Valuation of hotel assets	<p>The ARC considered the approach and methodology applied in assessing the valuation of the hotel assets.</p> <p>The ARC noted that more than 90% of the hotel assets is owned by M&amp;C, a subsidiary in which the Group owns 65.2% and which is listed on the London Stock Exchange. The ARC reviewed the approach adopted by the Management of this listed subsidiary and its external auditors which included the review of the reasonableness of key assumptions used in the valuation of hotel properties, including forecasted cashflows, future market growth, occupancy rates, average room rate growth, discount rates and terminal rates in the valuation model.</p> <p>The valuation of the hotel assets was also an area of focus for the external auditors. The external auditors have included this item as a key audit matter in their audit report for the financial year ended 31 December 2018. Refer to page 111 of this AR.</p>

The ARC held six meetings during the year and carried out its duties as set out within its terms of reference. The Company Secretary maintains records of all ARC meetings including records of discussions on key deliberations and decisions taken. The ARC meets with the internal and external auditors, each separately without the presence of Management, annually. The ARC members continually keep themselves abreast of changes to accounting standards and issues which have a direct impact on financial statements. These included the following trainings attended in 2018:

- ACRA-SGX-SID Audit Committee Seminar 2018
- SID AC Chapter Pit-Stop Series: The AC's Role in Crisis Management
- NTU: Data Analytics Training
- ISCA: SFRS(I) 1-40: Investment Property
- Wolters Kluwer Singapore: SFRS(I) 16: Leases
- ISCA: SFRS(I) 1-16: Property, Plant and Equipment

For the financial year under review, the ARC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities, which was facilitated through the use of a self-assessment checklist ("ARC Self-Assessment Checklist").

The ARC Self-Assessment Checklist covered, *inter alia*, the responsibilities of the ARC under its terms of reference, and also considered the contribution of ARC members to the ARC's deliberation and decision-making process.

Based on the self-assessment, the ARC believes that it has fulfilled its responsibilities and discharged its duties as set out in its terms of reference.

## EXTERNAL AUDITORS

Taking cognisance that the external auditors should be free from any business or other relationships with the Group that could materially interfere with their ability to act with integrity and objectivity, the ARC undertook a review of the independence of KPMG LLP ("KPMG") and gave careful consideration to the Group's relationships with them during 2018. In determining the independence of KPMG, the ARC reviewed all aspects of their relationships with them including the policies, processes and safeguards adopted by the Group and KPMG to protect and preserve audit independence. The ARC also considered the nature and volume of the provision of the non-audit services in 2018 and the corresponding fees to ensure that such non-audit fees did not impair or threaten the audit independence. It was noted that the fees for non-audit services had not exceeded 50% of the aggregate amount of all fees paid/payable to KPMG in 2018. Based on the review, the ARC is of the opinion that KPMG is, and is perceived to be, independent for the purpose of the Group's statutory financial audit.

For details of the fees paid and/or payable by the Group in respect of audit and non-audit services for FY 2018, please refer to note 30 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2019, the ARC had considered the adequacy of the resources, experience and competence of KPMG, and had taken into account the Audit Quality Indicators relating to KPMG at the firm level and on the audit engagement level. Consideration was also given to the experience of the engagement partner and key team members in handling the audit of multi-listed entities under different jurisdictions and in the real estate and hospitality segments. The size and complexity of the audit of the Group, and the number and experience of the supervisory and professional staff assigned were taken into account. The ARC had also considered the audit team's ability to work in a co-operative manner with Management whilst maintaining integrity and objectivity and to deliver their services professionally and within agreed time-lines.

KPMG has confirmed that they are registered with the Accounting and Corporate Regulatory Authority. The Company is thus in compliance with Rule 712 and Rule 715 (read with Rule 716) of the Listing Manual in relation to the appointment of its auditors.

On the basis of the above, the ARC has recommended to the Board the nomination of KPMG for re-appointment as external auditors at the 2019 AGM.

## INTERESTED PERSON TRANSACTIONS

On 29 May 2003, the Company obtained shareholders' approval for the Company, its subsidiaries and its associated companies not listed on the SGX-ST or an approved exchange, over which the Company, its subsidiaries and/or interested persons have control, to enter into transactions within the categories of Interested Person Transactions set out in the Company's circular to shareholders dated 28 April 2003, with such persons within the class or classes of Interested Persons as described in the said circular, provided that such transactions are entered into in accordance with the review procedures set out in the said circular (the "IPT Mandate"). The IPT Mandate was last renewed by the shareholders on 25 April 2018 and given that such Interested Person Transactions are expected to occur with some degree of frequency and may arise at any time, and to allow the Group to undertake such transactions in an expeditious manner, shareholders' approval will be sought at the 2019 AGM of the Company for the renewal of the IPT Mandate.

The ARC has confirmed that an independent financial adviser's opinion is not required for the renewal of the IPT Mandate as the methods and procedures for determining the transaction prices of the Interested Person Transactions conducted under the IPT Mandate have not changed since the IPT Mandate was obtained on 29 May 2003, and such methods and procedures continue to be sufficient to ensure that these Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Particulars of interested person transactions required to be disclosed under Rule 907 of the Listing Manual are as follows:

Interested Persons	Aggregate value of all interested person transactions in FY 2018 (excluding transactions less than \$100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted in FY 2018 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
Hong Leong Investment Holdings Pte. Ltd. group of companies	<p>Joint Venture Shareholders' Loans*</p> <p>12,641</p> <p>Corporate Secretarial Services Provision of corporate secretarial services to interested persons</p> <p>1,282</p>	<p>Property-related (a) Provision to interested persons of:</p> <p>(i) project management services;</p> <p>(ii) property management and maintenance and customer services;</p> <p>(iii) marketing services; and</p> <p>(iv) security services.</p> <p>(b) Lease of premises to interested persons.</p> <p>Management and Support Services Provision to interested persons of accounting and financial services.</p> <p>33,903</p> <p>1,515</p>
	Total:	35,418
Directors and their immediate family members	Nil	Nil

### NOTE:

\* The figure comprises the aggregate value of shareholders' loans extended to joint venture companies involving interested persons, and where applicable, interest accrued on shareholders' loans, in FY 2018, which were announced on 20 February 2019 pursuant to Rule 916(3). The shareholders' loans referred herein have been extended by all the joint venture parties or shareholders in proportion to their respective equity interest in the joint venture and on the same terms and conditions, including the interest rate, if any, accrued or to be accrued on the shareholders' loans.

The above interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

## WHISTLE-BLOWING POLICY

CDL has in place a whistle-blowing procedure where staff of the Company can raise in confidence, whether anonymously or otherwise, concerns on possible improprieties relating to accounting, financial reporting, internal controls and auditing matters or other matters without fear of reprisals in any form. The ARC has the responsibility of overseeing this policy which is administered with the assistance of the Head of IA. Under these procedures, arrangements are in place for independent investigation of such matters raised and for appropriate follow-up action to be taken.

The Company is committed to maintaining procedures for the confidential submission of reports and the identity of the whistle-blower concerned will not be disclosed where so requested by

the whistle-blower who lodged the report. Investigations of such reports will be handled on a confidential basis to the extent permissible or deemed appropriate under the circumstances and involve persons who need to be involved in order to properly carry out the investigation and will, on a best efforts basis, be carried out in a timely manner.

In order to facilitate and encourage the reporting of such matters, the whistle-blowing policy, together with the dedicated whistle-blowing communication channels (email and postal address as well as toll-free telephone contact numbers in various countries) are available on the Company's website and intranet and is easily accessible by all employees and other persons.

The whistle-blowing policy is reviewed by the ARC from time to time to ensure that it remains current. For more information on the said policy, please refer to the Company's website at [www.cdl.com.sg](http://www.cdl.com.sg).



## PRINCIPLE 13: INTERNAL AUDIT

### REPORTING LINE AND QUALIFICATION

The IA function is independent of the activities it audits. The Head of IA's primary reporting line is to the chairman of the ARC. The appointment, resignation and dismissal of the Head of IA is reviewed and approved by the ARC. The ARC also provides input on the annual performance appraisal of the Head of IA and reviews the compensation for the Head of IA within the compensation policies established by the Company. The ARC meets the Head of IA at least once annually without the presence of Management. The Head of IA has unfettered access to the ARC, the Board and Management as well as the Group's documents, records, properties and personnel relevant for the performance of audits.

IA operates within the framework stated in its IA Charter which is approved by the ARC and reviewed on an annual basis. The standards of the IA Charter are consistent with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Head of IA, Mr Stephen Ching, and the Audit Managers are all Certified Internal Auditors accredited by The Institute of Internal Auditors. Processes are in place to ensure that the professional competence of the IA staff is maintained and upgraded through continuing professional education programmes which comprises technical and non-technical training for the development of the IA staff.

### ROLE AND ACTIVITIES OF IA

The primary role of IA is to assist the Board to evaluate the reliability, adequacy and effectiveness of the internal controls and risk management processes of the Company, reviewing the internal controls of the Company to ensure prompt and accurate recording of transactions and proper safeguarding of assets and reviewing that the Company complies with the relevant laws, regulations and policies established by the Company.

The ARC approved the annual IA plan and received regular reports during 2018 on the progress of the audit work under the IA plan. All IA reports are given to the ARC, the Group CFO, the relevant KMP and the Heads of the relevant business divisions with a summary report provided to the Board Chairman and Group CEO. IA observations on control, operational and human lapses and recommendations to address them were also reviewed and discussed at ARC meetings. The ARC was satisfied that recommendations made were dealt with by the Management in a timely manner, with outstanding exceptions or recommendations being closely monitored and reported back to the ARC.

The ARC reviewed the effectiveness and adequacy of the IA function through a review of the IA activities on a quarterly basis as well as its annual assessment of the IA function. The assessment was facilitated through the use of an evaluation

framework modeled on the framework recommended in the Guidebook for Audit Committees in Singapore issued in October 2008. The evaluation framework is comprehensive and covers IA organisation, resources and continuing training, audit plans work scope, quality of reports and recommendations, IA Charter and IA internal control assessment. Based on the assessment, the ARC is satisfied with the quality and effectiveness of the IA function and that the IA function is currently adequately resourced and has appropriate independent standing within the Group to perform its functions effectively.

## COMMUNICATION WITH SHAREHOLDERS

### PRINCIPLE 14: SHAREHOLDER RIGHTS

Being committed to good corporate practices, the Company treats all shareholders fairly and equitably. To facilitate the exercise of shareholders' rights, the Company ensures that all material information relating to the Company and its financial performance is disclosed in an accurate and timely manner via SGXNET.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules for the appointment of proxies, including information that voting will be conducted by way of poll, are set out in the notice of general meetings. In accordance with the Constitution of the Company, shareholders who are not relevant intermediaries may appoint not more than two proxies to attend, speak and vote at general meetings in their absence, and shareholders who are relevant intermediaries may appoint more than two proxies to attend, speak and vote at general meetings. The proxy forms must be deposited at such place or places specified in the notice or document accompanying the notice convening the general meetings at least seventy-two hours before the time set for the general meetings.

### PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. Should there be an inadvertent disclosure made to a select group, the Company will release the same information as promptly as possible via SGXNET. The Company notifies its investors in advance of the date of release of its financial results via SGXNET. The Company announces its quarterly and full-year results within the mandatory period. The financial statements and other presentation materials presented at the Company's general meetings, including material and price-sensitive information, are disseminated and publicly released via SGXNET on a timely basis. All shareholders of the Company receive the annual report of the Company and the notice of AGM, which notice is also advertised in the press and released via SGXNET.

Shareholders and investors can contact the Company or access information on the Company at its website at [www.cdli.com.sg](http://www.cdli.com.sg)

which has a dedicated "Investors & Media" link that provides, *inter alia*, information on the Board of Directors and Senior Management team, the Company's Corporate Governance Reports, Sustainability Reports, Annual Reports, corporate policies, corporate announcements, press releases and financial results as released by the Company on SGXNET, and other information which may be relevant to investors.

From time to time, the Board Chairman and the Company's Senior Management hold briefings with analysts and the media to coincide with the release of the Group's half-year and full-year financial results. Media presentation slides are also released on SGXNET and are available on the Company's website. A live video webcast was arranged for investors at the analysts/media briefing for the full year 2018 results in February 2019. In addition, the Management takes an active role in investor relations, meeting local and foreign fund managers regularly as well as participating in investor roadshows and conferences both locally and overseas. The Head, Investor Relations is responsible for managing the Group's investor relations programmes, including the communications with the financial community, research analysts and relevant stakeholders. Further information on the Company's investor relations policy and activities can be found on pages 61 and 62 of this AR.

The Company has formalised its dividend policy which aims to provide a return to shareholders at least once a year through the payment of dividends, after taking into account the Group's financial performance, short and long term capital requirements, future investment plans, general global and business economic conditions and any regulatory factors. The Board endeavours to maintain a balance between meeting shareholders' expectations and prudent capital management with a sustainable dividend policy. The Board will review the dividend policy from time to time and reserves the right to modify, amend and update the policy.

### PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

At general meetings of the Company, shareholders are given the opportunity to communicate their views and are encouraged to ask the Directors and the Management questions regarding matters affecting the Company. The Board Chairman and the chairmen of the ARC, RC and BSC and the external auditors were present at the last 2018 AGM. Although Mr Philip Yeo Liat Kok, the chairman of the NC could not attend the 2018 AGM, the other members of the NC were present at the AGM. The Board Chairman and the chairmen of the ARC, NC, RC and BSC and the external auditors will endeavour to be present at the 2019 AGM to assist the Directors in addressing queries raised by the shareholders. All Directors, except Mr Philip Yeo Liat Kok, attended the 2018 AGM.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholder identity

information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

The Company provides for separate resolutions at general meetings on each substantial issue, including treating the election or re-election of each Director as a separate subject matter. Detailed information on each item in the AGM agenda is provided in the explanatory notes to the notice of AGM in the AR. The Company also maintains minutes of the AGM, which include the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors. The AGM minutes are available on the Company's website, and the Company will also furnish the AGM minutes upon request of any shareholder.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions to be proposed at the 2019 AGM and at any adjournment thereof shall be put to the vote by way of poll.

In support of greater transparency and to allow for a more efficient voting system, the Company has been conducting electronic poll voting instead of voting by show of hands since the 2012 AGM and would continue to do so in respect of all resolutions proposed at the 2019 AGM. With electronic poll voting, shareholders present in person or represented by proxy at the meeting will be entitled to vote on a 'one-share, one-vote' basis. The voting results of all votes cast in respect of each resolution will also be instantaneously displayed on-screen at the meeting. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages would be announced via SGXNET after the 2019 AGM. The detailed procedures for the electronic poll voting would be explained at the AGM. An external firm is appointed as scrutineers for the AGM voting process, which is independent of the firm appointed to undertake the electronic poll voting process.

## CORPORATE VALUES AND CONDUCT OF BUSINESS

The Board and Senior Management are committed to conducting business with integrity and consistent with high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. The Company has in place an internal code of business and ethical conduct crystallising the Company's business principles and practices with respect to matters which may have ethical implications. The code, which provides a communicable and understandable framework for staff to observe the Company's principles such as honesty, integrity, responsibility and accountability at all levels of the organisation and in the conduct of the Company's business in their relationships with customers, suppliers and amongst employees, is available on the Company's intranet and is easily accessible by all employees.

# CORPORATE GOVERNANCE

The code provides guidance on issues such as:

- conflicts of interest and the appropriate disclosures to be made;
- the Company's stance against corruption and bribery;
- compliance with applicable laws and regulations including those relating to the protection of the environment and the conservation of energy and natural resources;
- compliance with the Company's policies and procedures, including those on internal controls and accounting;
- safeguarding and proper use of the Company's assets, confidential information and intellectual property rights, including the respect of the intellectual property rights of third parties; and
- competition and fair dealing in the conduct of the Company's business, in its relationships with customers, suppliers, competitors and towards its employees.

In line with the Board's commitment to maintain high ethical standards which are integral to our corporate identity and business, the Company has the following three corporate policies in place:

- (i) **Anti-Corruption Policy & Guidelines** which sets out the responsibilities of the Group companies and of each employee in observing and upholding CDL's 'zero-tolerance' position against all forms of corruption, bribery and extortion and provides information and guidance to employees on how to recognise, address, resolve, avoid and prevent instances of corruption, bribery and extortion which may arise in the course of their work.
- (ii) **Fraud Policy & Guidelines** which provides guidance on actions which may constitute fraudulent conduct and highlights the importance of the implementation, maintenance and compliance with the internal controls framework of the Group and its policies and procedures.
- (iii) **Competition Policy & Guidelines** which states the Company's policy to compete fairly and ethically in the conduct of business in all of our markets and provides direction and guidance to employees in their relationships and communications with competitors and customers.

These policies are available on the Company's corporate website, intranet and have also been disseminated to officers and employees of the Group's key subsidiaries. These policies have been translated into Mandarin and Thai for dissemination to employees of the Group in the People's Republic of China and in Thailand.

The Company has also set out the following sustainability policies which are available on the Company's corporate website:

- **Environmental, Health & Safety (EHS) Policy** – Established in 2003, the EHS Policy sets the strategic direction for all departments and employees towards creating a "Green & Safe" corporate culture, conserving resources and preventing pollution.
- **Human Rights Policy** – Sets out the Company's commitment in upholding fundamental principles of human and workplace rights in places where the Company operates. Beyond compliance to the local government's policy and national legislation in protecting human rights, CDL is committed to respecting human rights in all aspects of its stakeholder engagement such as equitable employment practices, non-discrimination, fair welfare and compensation, as well as workplace health and safety within its developments.
- **Climate Change Policy** – In line with CDL's corporate social responsibility strategy and commitment to "Conserve as We Construct" since 1995, the Company is dedicated to achieving low carbon operations with reduction targets set at 22% in 2020 and 25% in 2030. Recognising that a sizeable proportion of the Company's carbon footprint lies outside its business operations and direct control, the Company actively engages its supply chain and stakeholders to mitigate climate impact and to add value to the communities in which the Company operates.

## INTERNAL CODE ON DEALINGS IN SECURITIES

The Company has in place an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by its Directors and officers. These guidelines prohibit dealing in the Company's securities (a) on short-term considerations, (b) while in possession of unpublished material price-sensitive information in relation to such securities, and (c) during the "closed period", which is defined as two weeks before the date of announcement of results for the first, second and third quarter of the Company's financial year and one month before the date of announcement of the full-year financial results, and ending on the date of the announcement of the relevant results. The Directors and employees of the Company are notified in advance of the commencement of each "closed period" relating to dealing in the Company's securities. The internal code on securities trading is available on the Company's intranet and is easily accessible by all employees.