

CORPORATE GOVERNANCE

Note:

The questions listed out in this column are extracted from the Singapore Exchange Limited's Disclosure Guide on Compliance with the Code of Corporate Governance 2012. The response to each question is set out in bold after the question.

General:

(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.

The Company has complied with most of the principles and guidelines of the Code. Where there are differences in the Company's practices, these are set out within this report.

(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?

The reasons for the differences in practices are also set out within the report.

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.

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 6th Singapore Corporate Governance Week 2015 (organised by SIAS) in October 2015:

"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."

This report sets out 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 in respect of the same is also set out in this report.

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. Its 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 Company'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 Company's assets. The Board assumes responsibility for good corporate governance which include setting corporate values and ethical standards for the Company.

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. More details on the Company's sustainability practices are presented in the Sustainability Report on pages 68 to 75 of this Annual Report 2015 ("AR").

Independent Judgement

All Directors are required to objectively discharge their duties and responsibilities in the interests of the Company. Directors who are in any way, directly or indirectly, interested in a transaction or proposed transaction will declare the nature of their interests in accordance with the provisions of the Companies Act, Chapter 50, and also voluntarily abstain from deliberation on the same. The Board has established the Nominating Committee ("NC") which recommends to the Board, the appointments to the Board and Board Committees and assesses the independence of Directors. When assessing the independence of Directors, the NC takes into account the individual Director's objectivity, independent thinking and judgement.

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 Corporate Social Responsibility & Corporate Governance Committee ("CSR&CGC"), all collectively referred to hereafter as the "Committees".

Specific written terms of reference for the Committees set out the authority and duties of the Committees. All terms of reference for the Committees are approved by the Board and reviewed periodically to ensure their continued relevance. The composition of each Committee can be found under the 'Corporate Directory' section in this AR.

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, and yet without abdicating its responsibility. 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 CSR&CGC can be found under the 'Sustainability' section in this report.

Board Processes

Meetings of the Board and Committees are held regularly, with the Board meeting no less than four times a year. Eight Board meetings were held in 2015. A meeting of the non-executive Directors ("NEDs"), chaired by the Lead Independent Director ("Lead ID"), is also held at least once a year and as often as may be warranted by circumstances. 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 with a view to facilitate attendance by Board members. 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 allow for the meetings of its Board and the Committees to be held via teleconferencing. The Board and the Committees may also make decisions by way of circulating written resolutions.

The attendance of the Directors at meetings of the Board and the Committees, as well as the frequency of such meetings during 2015, is disclosed below. Notwithstanding such disclosure, the Board is of the view that the contribution of each Director should not be focused only 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.

Directors' Attendance at Board and Committee Meetings in 2015

| | Board | ARC | NC | RC | CSR&CGC |
|--|--|----------|----------|----------|----------|
| Number of meetings held in 2015 | 8 | 6 | 2 | 2 | 1 |
| Name of Directors | Number of meetings attended in 2015 | | | | |
| Kwek Leng Beng | 8 | N.A. | 2 | N. A. | N.A. |
| Kwek Leng Joo ⁽²⁾ | 7 | N.A. | N.A. | N.A. | N.A. |
| Foo See Juan ⁽¹⁾ | 1 | N.A. | N.A. | N.A. | N.A. |
| Kwek Leng Peck | 7 | N.A. | N.A. | N.A. | N.A. |
| Tang See Chim | 7 | 6 | N.A. | 2 | N.A. |
| Yeo Liat Kok Philip | 7 | N.A. | 2 | 2 | 1 |
| Tan Poay Seng | 5 | N.A. | N.A. | N.A. | 1 |
| Chan Soon Hee Eric | 8 | 6 | 2 | 2 | N.A. |
| Tan Yee Peng | 8 | 6 | N.A. | N.A. | N.A. |

Notes:

⁽¹⁾ Mr Foo See Juan retired from the Board following the conclusion of the annual general meeting held on 22 April 2015.

⁽²⁾ Mr Kwek Leng Joo ceased to be a Director of the Company upon his demise on 16 November 2015.

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Guideline 1.5

What are the types of material transactions which require approval from the Board?

Please refer to the section under the header “Board Approval”.

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 setting of strategic direction or policies or 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, material acquisition and disposal of assets, adoption of corporate governance 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.

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 by deliberating on matters requiring Board review that may arise between Board meetings. Its duties 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 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.

Guideline 1.6

(a) Are new directors given formal training? If not, please explain why.

Yes. Please refer to the section under the header “Board Orientation and Training”.

(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?

The types of information and training provided are set out in the section under the header “Board Orientation and Training”.

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 role and responsibilities of a director, 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.

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. 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 in future to the Management team. The programme also includes briefings by the Management team on key areas of the Company’s operations.

In February 2016, Mr Chan Soon Hee Eric was appointed the chairman of the CSR&CGC. The chairmanship of the CSR&CGC was vacated following the demise of the late Mr Kwek Leng Joo on 16 November 2015. In addition, Ms Tan Yee Peng was appointed a member of the BC. Both Mr Chan and Ms Tan were provided the respective terms of reference setting out the authority and responsibilities of the CSR&CGC and BC. Mr Chan was also briefed by the Chief Sustainability Officer, with the Chief Executive Officer (“CEO”) in attendance, on the Company’s CSR and sustainability initiatives.

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 Company Director ("LCD") 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 LCD 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 and the 2012 Code. The Company Secretary will co-ordinate with such Director to endeavour to complete the LCD Programme within one year from his or her date of appointment subject to SID's training schedule and the Director's availability.

The Directors are also provided with updates and/or briefings from time to time by professional advisers, auditors, 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 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.

Four in-house seminars were conducted by invited speakers in 2015, on topics relating to transfer pricing, cyber security and big data analytics for companies, integrating sustainability for greater business value, financial reporting surveillance programme by the Accounting & Corporate Regulatory Authority, tax transparency and corporate governance updates.

During the year, approximately 90% of the Board attended various training seminars and workshops as part of the Board's continuing development programme, which accounted for more than 80 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.

Senior Management Team

The Board, through the NC, also reviews the appointment and reasons for resignations and terminations of the CEO (if not a Director), GGM, CFO and other relevant Senior Management staff.

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Guideline 2.1

Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.

Yes. Please refer to the section under the header "Board Independence".

Guideline 2.3

(a) *Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.*

No.

(b) *What are the Board's reasons for considering him independent? Please provide a detailed explanation.*

Not Applicable.

Guideline 2.4

Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.

Yes. The Director is identified in paragraph 3 of the section under the header "Board Independence", and the Board's reasons for considering him independent are set out in the same paragraph.

Principle 2: Board Composition and Guidance

Board Independence

The Board currently comprises seven members. All members of the Board, except for the Chairman, are NEDs. Of the six NEDs, the NC has recommended and the Board has determined five of them ("5 NEDs"), being more than half of the Board, to be independent, 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.

When reviewing the independence of the 5 NEDs, 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 declaration regarding their independence, disclosure of 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 on such transactions and their ability to maintain objectivity in their conduct as Directors of the Company. The 5 NEDs are Mr Tang See Chim, Mr Yeo Liat Kok Philip, Mr Tan Poay Seng, Mr Chan Soon Hee Eric and Ms Tan Yee Peng. For purposes of determination of independence, the 5 NEDs have also provided confirmation that they are not related to the substantial shareholders of the Company. The NC is satisfied that there is no other relationship which could affect their independence.

In considering the independence of Mr Tang See Chim, who has served on the Board for more than nine years, the NC and the Board have given due consideration to the recommendation under Guideline 2.4 of the 2012 Code that the independence of any director who has served on the Board beyond nine years be subject to particularly rigorous review. Guided by relevant questions under the Nominating Committee Guide issued by the SID in 2015, the Board noted observations/instances of Mr Tang's active discussion in debating and evaluating actions taken by Management and his seeking of clarification in order to make informed decisions, whilst remaining open to other viewpoints. The NC and the Board had concurred that Mr Tang is independent notwithstanding he has served on the Board beyond nine years as he has continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a Director of the Company. The Company has also benefited from his years of experience in his field of expertise.

The 5 NEDs 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 have 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 Board or on the Committees.

Guideline 2.6

(a) *What is the Board's policy with regard to diversity in identifying director nominees?*

Please refer to the section under the header "Board Composition and Size".

(b) *Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.*

Please refer to the section under the header "Board Composition and Size".

(c) *What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?*

Please refer to the section under the header "Board Composition and Size".

Board Composition and Size

The NC reviews the size and composition mix of the Board and the Committees annually. The Board comprises business leaders and professionals from both genders with real estate, hospitality, financial (including audit and accounting), legal and business management backgrounds. 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 on the "Board of Directors" section in the AR.

In consideration of 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 sufficient diversity and allow for effective decision making at the Board and Committees respectively.

The Board welcomes the push for greater gender diversity in the boardroom which can provide a more diverse approach to business decision making. The Company had, on 28 August 2015, supported the following Board Diversity Pledge initiated by SID and SGX-ST:

"We, as corporations, are committed to promoting diversity as a key attribute of a well-functioning and effective Board. We believe 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."

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 constructive input and the necessary review and monitoring of performance of the Company and Management. A meeting of the NED chaired by the Lead ID was held in 2015 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 Chairman and the 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, assisting the Board to develop policies and strategies, and ensuring that these are implemented effectively. As the Board Chairman, 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 on all aspects of its role including setting agenda for Board meetings with input from Management, ensuring that sufficient allocation of time for thorough discussion of each agenda item at Board meetings, promoting an open environment within the Board room 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 annual general meetings 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 executive responsibility for the Group's business.

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Mr Kwek Leng Beng, the Executive Chairman, is assisted by the CEO, Mr Grant L. Kelley and other members of the Senior Management team. Mr Kelley has executive responsibilities for the business direction, overall development and management of the Group's businesses, as well as the implementation of the business strategies and decisions of the Board in the operations of the Group. He is not related to the Executive Chairman.

Lead Independent Director

Taking cognisance that the Board Chairman is an Executive Director and thus not independent, the Board has appointed Mr Chan Soon Hee Eric as Lead ID to serve as a sounding board for the Board Chairman and also as an intermediary between the NEDs and the Board Chairman. 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 where they have concerns and for which contact through the normal channels of the Chairman or the Senior Management has failed to resolve or is inappropriate. No query or request on any matter which requires the Lead ID's attention was received from the shareholders in 2015. Under the chairmanship of the Lead ID, a meeting of the independent NEDs was convened in February 2016 without the presence of Management or the Board Chairman, and feedback from the NEDs would be provided by the Lead ID to the Board Chairman and the Management, as appropriate.

The Board considered Mr Kwek Leng Beng's role as the Executive Board Chairman, as set out under 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 beyond the authority of, or without the undue influence from the Chairman, and the putting in place of internal controls to allow effective oversight by the Board of the Company's business, the Board is of the view that these enable 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 Executive Board Chairman would continue to facilitate the Group's decision making and implementation process.

Principle 4: Board Membership

NC Composition and Role

Two out of the three members of the NC, including the NC chairman, are independent. The Lead ID is one of the independent members of the NC. Please refer to the 'Corporate Directory' section of this AR for the composition of the NC.

The NC's responsibilities as set out in its written terms of reference approved by the Board, is to review all Board and Committee composition and membership, board succession plans for the Directors, determine 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 resignations of Senior Management which includes the Executive Chairman, the CEO, the Group General Manager ("GGM"), the Chief Financial Officer ("CFO") and other relevant senior management staff and review Directors' training and continuous professional development programme. Two NC meetings were held in 2015. 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.

Guideline 4.6

Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.

Please refer to the sections under the headers “Re-nomination of Directors” and “Criteria and Process for Nomination and Selection of New Directors”.

Re-nomination of Directors

The NC reviews annually the nomination of the relevant Directors for re-election and appointment as well as the independence of Directors. When considering the nomination of Directors for re-election and appointment, 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 re-election and appointment 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 provide 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 re-election at the said AGM.

In accordance with the Constitution of the Company, Mr Kwek Leng Peck and Mr Chan Soon Hee Eric are due to retire by rotation at the forthcoming AGM (“2016 AGM”) and have offered themselves for re-election at the 2016 AGM.

Mr Kwek Leng Beng and Mr Tang See Chim, who were appointed to hold office until the 2016 AGM pursuant to Section 153(6) of the Companies Act, Chapter 50 which section has since been repealed, would seek appointment again at the 2016 AGM. Once they are appointed at the 2016 AGM, their appointments would thereafter be subject to the three-year rotation cycle applicable to directors of SGX-ST listed companies.

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 are generally handled discreetly and may take into account recommendations from the Directors. 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 age, gender, track record, experience and capabilities or such other factors 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 skill set to the requirements of the relevant Board Committees (if the candidate is proposed to be appointed to any of the Committees).

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Guideline 4.4

(a) *What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?*

There is no maximum number prescribed.

(b) *If a maximum number has not been determined, what are the reasons?*

Please refer to the explanation in the section under the header "Directors' Time Commitments".

(c) *What are the specific considerations in considering the capacity of Directors?*

Please refer to the explanation in the section under the header "Directors' Time Commitments".

Directors' Time Commitments

When considering the re-nomination of Directors for re-election or appointment, 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 has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his 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 is 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 five 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 review procedures of the attendance records and analysis of directorships, a policy has also been put in place for Directors to consult the Chairman of the Board or the chairman of the NC with regard to accepting any new appointments as directors on listed companies or other principal commitments and notifying the Board of any changes in their external appointments. This would allow the Director to review his time commitments with the proposed new appointments and in the case of an independent Director, to ensure that his 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, and the Notice of AGM for Directors proposed for re-election and appointment at the 2016 AGM. Currently, no alternate Directors have been appointed in respect of any of the Directors.

Succession Planning for the Board and Executive Chairman

The Board believes in carrying out succession planning for itself and the Executive Chairman to ensure continuity of leadership. Board renewal is a continuing process and in this regard, the NC reviews the composition of the Board, which includes size and mix, annually 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.

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 2015 are set out in the paragraph above under the subject heading "Board Orientation and Training".

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

Guideline 5.1

- (a) *What was the process upon which the Board reached the conclusion on its performance for the financial year?*
Please refer to the sections under the headers "Board Evaluation Process", "Board Evaluation Criteria" and "Individual Director Evaluation Criteria".
- (b) *Has the Board met its performance objectives?*
The NC's evaluation of the Board's performance was discussed and considered by the Board, and recommendations to strengthen the effectiveness of the Board and the Committees were accepted by the Board.

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 competencies and effectiveness. 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 and the RC with the assistance of self-assessment checklists completed by these Committees.

The annual evaluation process for the individual Director's performance comprises three parts: (a) background information concerning the Director including his attendance records at Board and Committee meetings; (b) questionnaire for completion by each individual Board member; and (c) NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors.

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 Chairman of the Board (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 appointment and re-election of retiring Directors. 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 is set out in a questionnaire covering three main areas relating to board composition, roles and responsibilities, conduct of meetings and access to information.

The quantitative criteria used to evaluate the overall Board performance comprises quarterly performance indicators which include a comparison of the Company's performance (including segmental performance) for the financial period under review against the Company'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.

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Guideline 6.1

What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

Please refer to the section under the header “Complete, Adequate and Timely Information and Access to Management”, and the section under Principle 10 under the header “Accountability of the Board and Management”.

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. Directors have separate and independent access to Management.

Draft agendas for Board and Committee meetings are circulated to the Chairman of the Board 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 CSR&CGC 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 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 all applicable statutory and regulatory rules. Together with the Management, the Company Secretaries also advise the Board Chairman, the Board and Committees on corporate governance matters and assist to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and appointments to Committees, and continuing training and development for the Directors.

On an on-going basis, the Directors have separate and independent access to the Company Secretaries, whose duties and responsibilities are clearly defined.

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 currently identified the executive Directors (“EDs”) and the CEO and the GGM who are the most senior members of the Management team outside the Board as its KMPs. On an annual basis, the RC reviews the annual increments, year-end and variable bonuses to be granted to the EDs and the KMPs. No remuneration consultants from outside the Hong Leong Group were appointed.

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 during 2015. 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.

Guideline 9.6

(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.

Please refer to the sections under the headers "Remuneration of Directors and KMP" and "Disclosure of Remuneration".

(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?

Please refer to the sections under the headers "Remuneration of Directors and KMP" and "Disclosure of Remuneration".

Remuneration components are determined by the individual's performance, the performance of the Group and industry practices.

(c) Were all of these performance conditions met? If not, what were the reasons?

The variable components of the remuneration for the executive Directors and the KMP were awarded for FY 2015 pursuant to the RC's review of the individual's performance, the Company's overall performance and industry practices.

Principle 8: Level and Mix of Remuneration

Remuneration of Directors and KMP

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 run and 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 EDs and the KMP, 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:

- to ensure that the remuneration packages are competitive in attracting and retaining employees capable of meeting the Company's needs;
- 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.

Based on the Remuneration Framework, the remuneration packages for the EDs and KMP comprise a fixed component (in the form of a base salary, a 13th month Annual Wage Supplement and, where applicable, fixed allowances together with other benefits-in-kind determined by the Company's Human Resource policies) and variable components (which includes variable, year-end annual and special bonuses) which is determined by the individual's performance, the Company's overall performance and industry practices, in each specific year.

When reviewing the structure and level of Directors' fees, which comprises 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 and changes. No Director is involved in deciding his own remuneration.

Whilst the Company currently does not have a share option scheme in place, it will consider the establishment of other forms of longer term incentive schemes, as and when appropriate.

CORPORATE GOVERNANCE

Each of the Directors receives a base Director's fee. The Lead ID also receives an additional fee to reflect his 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 chairman 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 paid or payable to Directors of the Company for FY 2015 is as follows:

| Appointment | Per annum |
|--|------------------|
| Board of Directors | |
| - Base fee | \$60,000 |
| Audit & Risk Committee | |
| - ARC Chairman's fee | \$70,000 |
| - ARC Member's fee | \$55,000 |
| Nominating Committee | |
| - NC Chairman's fee | \$18,000 |
| - NC Member's fee | \$12,000 |
| Remuneration Committee | |
| - RC Chairman's fee | \$18,000 |
| - RC Member's fee | \$12,000 |
| Corporate Social Responsibility & Corporate Governance Committee | |
| - CSR&CGC Chairman's fee | \$6,000 |
| - CSR&CGC Member's fee | \$4,000 |
| Lead Independent Director's fee | \$10,000 |

Guideline 9.2

Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

Yes. Please refer to the section under the header "Disclosure of Remuneration".

Principle 9: Disclosure of Remuneration

Disclosure of Remuneration

The compensation packages for employees including the Executive Chairman, the late Deputy Chairman, CEO and the GGM comprised a fixed component (in the form of a base salary and fixed allowances), a variable component (which includes 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.

Directors' and CEO's remuneration for FY 2015, 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 |
|--------------------------------|----------------------|--|------------------------------------|------------------------|-----------------|
| Executive Directors | | | | | |
| Kwek Leng Beng [^] | 14 | 78 | 7 | 1 | 9,664 |
| Kwek Leng Joo ^{^2} | 17 | 81 | 1 | 1 | 6,611 |
| Non-executive Directors | | | | | |
| Foo See Juan ^{^1} | - | - | 100 | - | 41 |
| Kwek Leng Peck [^] | - | - | 100 | - | 184 |
| Tang See Chim | - | - | 100 | - | 127 |
| Yeo Liat Kok Philip | - | - | 100 | - | 94 |
| Tan Poay Seng | - | - | 100 | - | 64 |
| Chan Soon Hee Eric | - | - | 100 | - | 170 |
| Tan Yee Peng | - | - | 100 | - | 115 |
| Chief Executive Officer | | | | | |
| Grant Lewis Kelley | 18 | 78 | - | 4 | 3,099 |

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

** These fees comprise Board and Committee fees for FY 2015, which are subject to approval by shareholders as a lump sum at the 2016 AGM as well as ARC fees for FY 2015 that have already been approved by shareholders at the 2015 AGM.

[^] Remuneration of these Directors includes remuneration paid or payable by subsidiaries of the Company.

¹ Mr Foo See Juan retired as a Director of the Company on 22 April 2015.

² Mr Kwek Leng Joo ceased to be a Director of the Company upon his demise on 16 November 2015.

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Guideline 9.3

(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

No. Please refer to the section under the header "Remuneration of Key Management Personnel" for the Company's reasons for non-disclosure of KMP's remuneration.

(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).

Please refer to the section under the header "Remuneration of Key Management Personnel" for the Company's reasons for non-disclosure of KMP's remuneration.

Guideline 9.4

Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.

Yes. Please refer to the section under the header "Remuneration of Directors' Immediate Family Members for FY 2015".

Remuneration of Key Management Personnel (KMP)

The Company does not believe it to be in its interest to disclose the identity and remuneration of its top 5 KMP (who are not Directors), as 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.

Remuneration of Directors' Immediate Family Members for FY 2015

Other than the following disclosure, there are no other employees of the Company who are immediate family members of a Director or the CEO, and whose remuneration exceeds \$50,000 during the year. The annual remuneration of Mr Sherman Kwek Eik Tse, son of the Executive Chairman, and Mr Kwek Eik Sheng, son of the late Deputy Chairman, for FY 2015 are set out as follows:

| (disclosed in bands of \$50,000) | Base Salary* % | Variable Bonuses/ Allowances* % | Board/ Committee Fees % | Other Benefits % | Total % |
|---------------------------------------|-------------------|------------------------------------|----------------------------|---------------------|------------|
| Above \$950,000 and up to \$1,000,000 | | | | | |
| Sherman Kwek Eik Tse [^] | 40 | 60 | - | - | 100 |
| Above \$500,000 and up to \$550,000 | | | | | |
| Kwek Eik Sheng [^] | 45 | 55 | - | - | 100 |

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

[^] These comprise remuneration paid or payable by the Company and its subsidiaries but exclude remuneration and Board fees paid or payable by the listed subsidiaries of the Company as these are disclosed in the respective annual reports of the listed subsidiaries.

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 CEO and the CFO, for the period prior to her resignation and thereafter the Senior Vice President, Group Accounts 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.

Guideline 11.3

(a) *In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.*

Please refer to the section under the header "Risk Management and Internal Controls".

(b) *In respect of the past 12 months, has the Board received assurance from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?*

Please refer to the sections under the headers "Accountability of the Board and Management" and "Risk Management and Internal Controls".

Principle 11: Risk Management and Internal Controls

The Directors recognise that they have overall responsibility to ensure proper financial reporting for the Group 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 of the Group's separately listed subsidiaries are responsible for the oversight of their respective groups' internal controls and risk management systems and the Directors rely on the Company's nominees to the boards of these listed subsidiaries to provide oversight together with the other board members of these listed subsidiaries on the adoption and implementation of appropriate corporate governance practices, internal controls and risk management systems.

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.

The Company has in place an Enterprise Risk Management Framework. The implementation and maintenance of the Company's risk management framework is undertaken by the Risk Management Committee ("RMC"), 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.

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

CORPORATE GOVERNANCE

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 63 to 67 of the AR. As part of the internal and external audit programme, 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. Written assurance was received from the CEO and the Senior Vice President, Group Accounts 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, as well as on the effectiveness and adequacy of the risk management and internal controls systems.

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 to address the financial, operational, compliance and IT risks within the current scope of the Group's business operations, are adequate and effective as at 31 December 2015.

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.

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 expertise and experience, whilst the remaining member of the ARC possesses a legal 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.

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 auditors and the 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 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 quarterly and full year financial statements to be issued by the Group before their submission to the Board to ensure their completeness, consistency and fairness;
- to review the integrity of the financial statements of the Company to be announced or reported and any other formal announcements relating to the Company's financial performance;
- to review and approve the annual audit plans of the external and internal auditors;
- to review, on an annual basis, the scope and results of the external audit and its cost-effectiveness and the independence and objectivity of the external auditors, and also to review on a periodic basis the nature and extent of any non-audit services provided by the external auditors to the Group;
- 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;
- to review annually with Management, the internal and external auditors the results of their review and evaluation of the Company's internal controls, including financial, operational, compliance and IT controls, and risk management policies and systems and report to the Board annually the adequacy and effectiveness of such internal controls;
- 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 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 review the Company's whistle-blowing policy and arrangements put in place for raising concerns about possible improprieties in matters of financial reporting or any other matters

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.

For the financial year under review, the ARC conducted a self-assessment of its own effectiveness in the discharge of its roles and responsibilities. The assessment was facilitated through the use of a self-assessment checklist ("ARC Self-Assessment Checklist") based on the guidance from the Guidebook for Audit Committees in Singapore issued in October 2008 ("ACGC Guidebook").

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.

CORPORATE GOVERNANCE

Guideline 12.6

(a) *Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.*

Please refer to note 28 of the Notes to the Financial Statements.

(b) *If the external auditors have supplied a substantial amount of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.*

Please refer to the section under the header "External Auditors".

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 2015. In determining the independence of KPMG, the ARC reviewed all aspects of their relationships with them including the processes, policies and safeguards adopted by the Group and KPMG relating to audit independence. The ARC also considered the nature and volume of the provision of the non-audit services in 2015 and the corresponding fees and noted that the fees for non-audit services had exceeded 50% of the aggregate amount of all fees paid/payable to KPMG in 2015. The non-audit fees arose primarily from the tax and accounting advisory services provided in connection with the Group's investment platform involving profit participation securities (PPS). The ARC noted that these were not prohibited services and do not pose a threat to the external auditors' independence, and safeguards had been put in place by KPMG to ensure that the independence of the audit team is not impaired. The ARC is thus of the opinion that such non-audit fees did not impair or threaten the audit independence. 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 2015, please refer to note 28 of the Notes to the Financial Statements.

In reviewing the nomination of KPMG for re-appointment for the financial year ending 31 December 2016, 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 2016 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 22 April 2015 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 2016 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 conducted in FY 2015 under the IPT Mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000 | Aggregate value of all interested person transactions in FY 2015 (excluding transactions less than \$100,000 and transactions conducted under the IPT Mandate pursuant to Rule 920) \$'000 |
|---|--|--|
| Hong Leong Investment Holdings Pte. Ltd. group of companies | 188,648* | <u>Property-related</u> 12,305 (a) provision to/by interested persons of (i) cleaning services; (ii) managing agent services; (iii) security services; and (iv) marketing services. (b) lease of premises to interested persons <u>General Transactions</u> 204 Purchase of goods and services Total 12,509 |
| Directors and their immediate family members | Nil | Nil |

* The figure comprises:

- (i) the aggregate value of shareholders' loans extended to joint venture companies involving interested persons, and where applicable, interest accrued on shareholders' loans, in FY 2015, which were announced on 16 February 2016 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; and
- (ii) the aggregate value of joint ventures between the Company or its wholly-owned subsidiaries with interested persons for the joint acquisition of land parcels. These transactions were announced pursuant to Rule 916(2).

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 and other persons 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 and anonymous submission of reports and the anonymity of the whistle-blower concerned will be maintained 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.

Guideline 13.1

Does the Company have an internal audit function? If not, please explain why.

Yes. Please refer to the section under the header "Reporting Line and Qualification".

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 with an administrative line of reporting to the CEO (previously the Managing Director) of the Company. 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. 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.

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 and Audit Managers are all Certified Internal Auditors accredited by The Institute of Internal Auditors.

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 in February 2015 and received regular reports during 2015 on the progress of the audit work under the IA plan. All IA reports are given to the ARC, the Chairman of the Board, CEO, GGM, CFO, Company Secretary and the heads of the relevant departments. 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 ACGC Guidebook. 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, including the voting procedures, are set out in the notice of general meetings. In accordance with the Constitution of the Company, shareholders may appoint one or two proxies to attend and vote at general meetings in their absence. The proxy forms must be deposited with the Company not less than forty-eight (48) hours before the time set for the general meetings. Taking cognisance of the Companies Amendment Act ("Amendment Act") which came into effect on 3 January 2016 which *inter alia* provided for shareholders who are relevant intermediaries (as defined in the Amendment Act) to appoint more than two proxies to attend and vote at general meetings, the Board has recommended that the relevant provisions within the Company's Constitution be amended at the 2016 AGM, to align with the Amendment Act. Pursuant to the Amendment Act, relevant intermediaries will be able to appoint more than 2 proxies at the 2016 AGM.

CORPORATE GOVERNANCE

Guideline 15.4

(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?

Please refer to the explanation under "Principle 15: Communication with Shareholders."

(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?

The Company's Head of Corporate Communications provides investor relations support to the Senior Management who takes an active role in investor relations. Please refer to the third paragraph in the section under the header "Principle 15: Communication with Shareholders".

(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

Please refer to the explanation under "Principle 15: Communication with Shareholders."

Guideline 15.5

If the Company is not paying any dividends for the financial year, please explain why.

Not applicable. The Company is paying dividends in respect of FY 2015.

Principle 15: Communication with Shareholders

The Company ensures that shareholders are notified of all material information in an accurate and timely manner. 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.cdl.com.sg which has a dedicated "Investor Relations" link that provides, *inter alia*, information on the Board of Directors and Senior Management team, the Company's Corporate Governance Report, Sustainability Report, Annual Reports, corporate policies, corporate announcements, press releases and the latest financial results as released by the Company on SGXNET and other information which may be relevant to investors.

From time to time, the Executive 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 results. Media presentation slides are also released on SGXNET and are available on the Company's website. Audio webcast was made available to investors after the analysts/media briefing for the half year 2015 results announcement and a live video webcast was arranged for investors at the analysts/media briefing for the full year 2015 results in February 2016. 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.

Further, 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 encouraged to ask the Directors and the Management questions regarding matters affecting the Company. The chairmen of the ARC, NC, RC and CSR&CGC and the external auditors were present at the last AGM, and will endeavour to be present at the 2016 AGM to assist the Directors in addressing queries raised by the shareholders.

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 re-election or appointment 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 includes the key comments and queries raised by shareholders and the responses from the Board, Management and/or the external auditors.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the 2016 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 had introduced electronic poll voting instead of voting by show of hands at the 2012 AGM and would continue to do so in respect of all resolutions proposed at the 2016 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 at the meeting and announced via SGXNET after the 2016 AGM. The rules including voting procedures that govern general meetings of shareholders are attached with the notice of the 2016 AGM.

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.

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 Company's policies and procedures, including those on internal controls and accounting;
- safeguarding and proper use of 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 intranet and have also been disseminated to officers and employees of the Group's key subsidiaries. Both the Anti-Corruption Policy & Guidelines and the Fraud Policy & Guidelines have also been made available on the Company's corporate website.

CORPORATE GOVERNANCE

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.

Sustainability

The Company is committed to maintaining and achieving high standards of corporate governance ("CG") and continuing to build on its industry leadership on sustainability and corporate social responsibility ("CSR").

The CSR&CGC of the Company comprises three Directors, all of whom are independent Directors. Please refer to the 'Corporate Directory' section of this AR for the composition of the CSR&CGC. The CSR&CGC's responsibilities, as set out in its written terms of reference approved by the Board, is to have oversight of the Company's attention to CSR and CG issues, including the Company's policies on various aspects of CSR and CG 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 Report on pages 68 to 75 of the AR.