

# CORPORATE GOVERNANCE

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## INTRODUCTION

Ho Bee Land Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to adopting high standards of corporate governance and transparency in conducting the Group’s businesses. The board of directors of the Company (the “**Board**”) ensures that an effective self-regulatory and monitoring mechanism exists and is practised.

In line with the listing rules of the SGX-ST (the “**SGX Listing Rules**”), this report outlines the main corporate governance practices that are in place, with specific reference to the principles of the Code of Corporate Governance 2018 (the “**Code**”).

The Company has adhered to most of the principles and provisions of the Code. To the extent the Company’s practices may vary from any provision, we will explain the reason for the variation and how its practices nonetheless are consistent with the intent of the relevant principle of the Code. The Company is also guided by the voluntary Practice Guidance which was issued to complement the Code setting out the best practices for companies. We hope this will continue to strengthen investor and stakeholder confidence in the Group.

A summary of compliance with the express disclosure requirements in the principles and provisions of the Code is set out on pages 69 to 70.

## BOARD MATTERS

### Principle 1: The Board’s Conduct of Affairs

The Company is headed by an effective Board comprising professionals from various disciplines and entrusted with the responsibility for the overall management of the Group.

The principal role of the Board is to provide entrepreneurial leadership, review and approve strategic plans, key operational and financial issues, evaluate performance of the Company, and supervise executive management to achieve optimal shareholders’ value.

The Board undertakes all duties and responsibilities outlined below:

- sets strategic objectives, provides leadership in an enterprising and innovative manner, and ensures that the Company has sufficient resources to achieve its objectives;
- sets direction for the establishment of adequate and effective internal control systems and risk management framework to identify, assess and manage risks, so as to safeguard shareholders’ interests and the Company’s assets;
- reviews and monitors Management’s performance to ensure accountability and provides guidance to the management;
- ensures that Management’s and the Company’s actions meet the needs of various stakeholders and repudiate actions which are harmful to the Company’s repute;
- ensures that good values, culture and ethical standards permeate the organisation;
- ensures that the Company provides good quality products to meet customer needs, and carries out its obligations to shareholders and other stakeholders in a fair, equitable and reasonable manner; and
- ensures that the Company has put in place a sustainability framework and considers sustainability issues (environment, social and governance factors) when formulating strategies.

The Board has been working closely with Management in monitoring the challenges posed by the COVID-19 pandemic. Pertinent issues were reviewed by the Board in the face of the pandemic, including changes to business fundamentals and the significant risks facing the Group as a result of the pandemic. The pandemic has accelerated digitalisation efforts within the Group.

In line with Provision 1.1 of the Code, the Board confirms its fiduciary commitments to act objectively in the best interests of the Company.

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Pursuant to SGX Listing Rule 720(1), all directors and key executive officers had signed an undertaking in the prescribed form to use their best endeavours to comply with SGX Listing Rules and to procure the Company's compliance.

### Delegation by the Board to the Board committees

The Board has established various Board committees to assist in fulfilling its duties and responsibilities. These committees are the Audit & Risk Committee ("**ARC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") which are governed by specific terms of reference which clearly set out their authority and duties. These terms of references were approved by the Board.

The Board holds four scheduled meetings and an annual business review meeting each year. Scheduled meetings for the Board committees are also arranged annually. Ad hoc meetings for the Board and Board committees are convened as and when necessary to address any specific matters. Other than the physical meetings, decisions of the Board and Board committees are also made by way of circular resolutions in writing as permitted by the Company's Constitution and the Terms of References of the various Board committees.

There was a total of five Board meetings (including the annual business review meeting), four ARC meetings, one NC meeting and two RC meetings held in the year ended 31 December 2020 ("**FY2020**").

The attendance of the directors at Board and Board committee meetings in FY2020 was as follows:

	<b>Board</b>	<b>ARC</b>	<b>NC</b>	<b>RC</b>
<b>Number of meetings held in FY2020</b>	<b>5</b>	<b>4</b>	<b>1</b>	<b>2</b>
Chua Thian Poh	5	N.A.	1	N.A.
Ong Chong Hua	5	N.A.	N.A.	N.A.
Desmond Woon Choon Leng	5	N.A.	N.A.	N.A.
Bobby Chin Yoke Choong	5	4	1	N.A.
Jeffery Chan Cheow Tong	5	4	N.A.	2
Ko Kheng Hwa	5	4	1	N.A.
Seow Choke Meng	5	N.A.	1	2
Josephine Choo Poh Hua	5	4	N.A.	2

N.A. means not applicable.

Directors are provided with detailed financial statements and reports for each Board meeting which are required to be circulated at least seven days in advance of each meeting. These include disclosure documents, management accounts, budgets and information pertaining to matters to be brought before the Board. In addition, all relevant information on material transactions and events are circulated to directors as and when they arise.

At each quarterly meeting, the independent directors are briefed by the executive directors and senior management on the Group's business, finance and risks. They are also briefed on key developments in the real estate industry both locally and overseas. Directors are entitled to request from Management and will be provided with such additional information as needed, in a timely manner, to make informed decisions.

During the course of the year under review, the Board was promptly informed of the Company's COVID-19 business continuity and staff and customer safety plans which were implemented to ensure appropriate systems and procedures within the Group to specifically address the impact of the pandemic on business operational risks.

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The Company's crisis management team closely monitored developments on the COVID-19 situation within the Group and coordinated the escalation of information regarding any impact and mitigation measures to the Board.

The Board was also updated on relevant legal and regulatory requirements in light of the rapidly evolving COVID-19 situation.

Every Board member has independent and full access to the senior management, auditors, company secretary and other employees to seek additional information. The directors can seek independent legal and professional advice, if necessary, at the Company's expense, to enable them to fulfill their duties and responsibilities.

## **Matters requiring Board's approval**

The following is a list of key matters that require Board's approval:

- annual budgets;
- half-yearly and full year results announcements;
- annual reports and financial statements;
- letters to shareholders and circulars;
- declarations of dividends;
- major decisions and strategic plans;
- major acquisitions and disposals;
- major bank borrowings and other debt instruments; and
- conflicts of interest, interested person transactions and related party transactions.

All matters which are not specifically reserved for the Board and necessary for the day-to-day management of the Company and the implementation of corporate objectives are delegated to Management.

The Board has established policy on delegation of authority and set authorisation limits delegated to Management for specific types of transactions (including investments, acquisitions and divestments) to enable efficient and effective management of the Company's affairs while at the same time ensuring that the Board's approval is required on more significant and key strategic decisions.

The Board has a formalised policy and procedure on conflicts of interest to guide the directors in their dealing with any conflict of interest and fulfilling their disclosure obligations. A conflicted director is required to recuse himself and will not participate in the discussion and decision on any conflict-related matter.

The Board also has a formalised policy and procedure on interested person and related party transactions. It is the policy of the Board that all interested person and related party transactions should be carried out at arm's length and on terms generally available to an unaffiliated third-party under the same or similar circumstances.

Each Director is aware of the requirements in respect of his/her disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

## **Principle 2: Board Composition and Guidance**

The Board has eight members, comprising three executive directors and five independent directors.

The Board comprises individuals with diverse skills, qualifications and backgrounds which include accounting, audit, legal, banking, investment, government, general management and business experience.

All the directors have real estate experience gained from this Board, as well as from other boards or organisations. Details on the profile of the directors are set out on pages 14 to 17 of the Annual Report.

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### Key information on the directors

The key information on the directors is set out in the following tables:

#### CHUA THIAN POH

##### Chairman and Chief Executive Officer

Age: 72

Date of first appointment as director: 8 August 1987

Date of last re-appointment as director: N.A.

Date of next re-appointment as director: 28 April 2021<sup>(1)</sup>

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Nominating Committee (Member)	N.A.	<p><b>Other listed companies</b></p> <p>Nil</p> <p><b>Other principal commitments<sup>(2)</sup></b></p> <p>(1) Singapore Federation of Chinese Clan Associations (Honorary President)</p> <p>(2) Singapore Chinese Cultural Centre (Chairman)</p> <p>(3) Singapore Hokkien Huay Kuan (Immediate Past President)</p> <p>(4) Singapore Chinese Chamber of Commerce &amp; Industry (Honorary President)</p> <p>(5) Ren Ci Hospital (Chairman)</p> <p>(6) Chinese Development Assistance Council Board of Trustee (Chairman)</p> <p>(7) Ho Bee Foundation (Member/Chairman)</p> <p>(8) Council of Presidential Advisers (Member)</p>	Nil

<sup>(1)</sup> Listing Rule 720(5) requires all directors to submit themselves for re-nomination and re-appointment at least once every 3 years with effect from FY2020. SGX does not require the company to amend our constitution but the said listing rule shall take precedence.

<sup>(2)</sup> Besides the principal commitments listed above, Dr Chua Thian Poh holds directorships in a number of related corporations, associated companies and jointly controlled entities of the Company.

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### ONG CHONG HUA

#### Executive Director and Chief Operating Officer

Age: 66

Date of first appointment as director: 11 August 1995

Date of last re-appointment as director: 30 April 2019

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
N.A.	Masters Degree in Town and Regional Planning	<p><b>Other listed companies</b> Nil</p> <p><b>Other principal commitments<sup>(1)</sup></b>                      (1) Kingdom Investment Holdings Pte. Ltd. (Director)                      (2) FNA Group International Pte. Ltd. (Director)                      (3) Focus Network Agencies (Singapore) Pte. Ltd. (Director)</p>	Nil

<sup>(1)</sup> Besides the principal commitments listed above, Mr Ong Chong Hua holds directorships in a number of related corporations, associated companies and jointly controlled entities of the Company. Kingdom Investment Holdings Pte, Ltd. is a subsidiary of Ho Bee Holdings (Pte) Ltd ("**HBH**"), the substantial shareholder of the Company. FNA Group International Pte. Ltd. and Focus Network Agencies (Singapore) Pte. Ltd. are associates of HBH.

### DESMOND WOON CHOON LENG

#### Executive Director

Age: 65

Date of first appointment as director: 11 August 1995

Date of last re-appointment as director: 26 April 2018

Date of next re-appointment as director: 28 April 2021<sup>(1)</sup>

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
N.A.	N.A.	<p><b>Other listed companies</b> Nil</p> <p><b>Other principal commitments<sup>(2)</sup></b> Nil</p>	Nil

<sup>(1)</sup> Mr Desmond Woon Choon Leng is retiring by rotation under Article 104 of the Company's Constitution at the 33rd annual general meeting and he has offered himself for re-election. Mr Woon is also required under Listing Rule 720(5) to submit himself for re-nomination and re-appointment at least once every 3 years. There is no relationship (including immediate family relationship) between Mr Woon and the other directors of the Company.

<sup>(2)</sup> Mr Desmond Woon Choon Leng holds directorships in a number of related corporations, associated companies and jointly controlled entities of the Company.

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### BOBBY CHIN YOKE CHOONG

#### Lead Independent Director

Age: 69

Date of first appointment as director: 29 November 2006

Date of last re-appointment as director: 26 April 2018

Date of next re-appointment as director: 28 April 2021<sup>(1)</sup>

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Audit & Risk Committee (Chairman)  Nominating Committee (Member)	ACA (Institute of Chartered Accountants in England & Wales)	<p><b>Other listed companies</b></p> <p>(1) AV Jennings Limited (Independent Director) (2) Yeo Hiap Seng Ltd (Independent Director)</p> <p><b>Other principal commitments</b></p> <p>(1) Singapore Labour Foundation (Member) (2) NTUC Enterprise Co-operative Limited (Deputy Chairman) (3) NTUC Fairprice Co-operative Ltd (Chairman) (4) NTUC Fairprice Foundation Ltd (Chairman) (5) Temasek Holdings (Private) Ltd (Independent Director) (6) Frasers Logistics &amp; Commercial Asset Management Pte Ltd (Director) (7) Housing and Development Board (Chairman) (8) Corporate Governance Advisory Committee (Chairman)</p>	<p>(1) Sembcorp Industries Ltd (2) Singapore Telecommunications Limited (3) Frasers Commercial Asset Management Ltd</p>

<sup>(1)</sup> Mr Bobby Chin Yoke Choong is retiring by rotation under Article 104 of the Company's Constitution at the 33rd annual general meeting and he has offered himself for re-election. Mr Chin is also required under Listing Rule 720(5) to submit himself for re-nomination and re-appointment at least once every 3 years. Except as disclosed on page 73 of this Annual Report, there is no relationship (including immediate family relationship) between Mr Chin and the other directors, the Company, or its substantial shareholders.

### JEFFERY CHAN CHEOW TONG

#### Independent Non-Executive Director

Age: 72

Date of first appointment as director: 15 October 2002

Date of last re-appointment as director: 30 April 2019

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Remuneration Committee (Chairman)  Audit & Risk Committee (Member)	Fellow Chartered Accountant of Singapore  FCA (Institute of Chartered Accountants in England & Wales)	<p><b>Other listed companies</b></p> <p>Nil</p> <p><b>Other principal commitments</b></p> <p>Ho Bee Foundation (Member/Director)</p>	Goodhope Asia Holdings Ltd

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### KO KHENG HWA

#### Independent Non-Executive Director

Age: 66

Date of first appointment as director: 1 May 2016

Date of last re-appointment as director: 29 April 2020

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Nominating Committee (Chairman)	BA (Honours) in Civil Engineering	<b>Other listed companies</b> Nil	iX Biopharma Ltd
Audit & Risk Committee (Member)	Master in Management  Fellow of Institution of Engineers Singapore  Fellow of Singapore Computer Society	<b>Other principal commitments</b> (1) SG Advisory Pte Ltd (Executive Director) (2) Scale Up Pte Ltd (Executive Director) (3) Lifelearn Holdings Pte Ltd (Senior Advisor) (4) AirTrunk Pte Ltd (Senior Advisor) (5) Boston Consulting Group International, Inc (Expert Advisor) (6) Envision Digital Group (Senior Advisor) (7) Envision Digital International Pte Ltd (Non-Executive Chairman) (8) AIMS APAC REIT Management Limited (Independent Director), Manager of the listed AIMS APAC REIT.	

### JOSEPHINE CHOO POH HUA

#### Independent Non-Executive Director

Age: 49

Date of first appointment as director: 26 April 2017

Date of last re-appointment as director: 26 April 2018

Date of next re-appointment as director: 28 April 2021<sup>(1)</sup>

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Audit & Risk Committee (Member)	LL.B. (Honours) Middle Temple (Barrister-at-Law)	<b>Other listed companies</b> Nil	Nil
Remuneration Committee (Member)		<b>Other principal commitments</b> (1) Wong Partnership LLP (Partner, Specialist & Private Client Disputes Practice) (2) Dr Oon Chiew Seng Trust Limited (Director/ Chairman) (3) Jesuit Refugee Service (Singapore) Limited (Director)	

<sup>(1)</sup> Ms Josephine Choo is retiring by rotation under Article 104 of the Company's Constitution at the 33rd annual general meeting and she has offered herself for re-election. Ms Choo is also required under Listing Rule 720(5) to submit herself for re-nomination and re-appointment at least once every 3 years. There is no relationship (including immediate family relationship) between Ms Choo and the other directors, the Company, or its substantial shareholders.

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### SEOW CHOKE MENG

#### Independent Non-Executive Director

Age: 71

Date of first appointment as director: 26 April 2017

Date of last re-appointment as director: 29 April 2020

Board committee(s) served on	Academic and professional qualification(s)	Current directorships in other listed companies and other principal commitments	Past directorships in other listed companies held over preceding three years
Nominating Committee (Member)  Remuneration Committee (Member)	Bachelor of Science Degree (Honours)	<p><b>Other listed companies</b> Hi-P International Limited (Independent Director)</p> <p><b>Other principal commitments</b> (1) Kwong Wai Shiu Hospital &amp; Nursing Home (Director) (2) Ren Ci Hospital (Vice Chairman) (3) Ulu Pandan Citizen's Consultative Committee (Vice-Chairman) (4) Focus Publishing Ltd (Director) (5) Sin Chew Jit Poh (Singapore) Ltd (Director) (6) Times Development Pte Ltd (Director) (7) Times Properties Pte Ltd (Director) (8) Singapore Chinese Chamber of Commerce &amp; Industry (Honorary Council Member) (9) Chinese Development Assistance Council Board of Trustee (Member) (10) Singapore Chinese Cultural Centre (Director) (11) Straco Leisure Pte Ltd (Director) (12) Ho Bee Foundation (Member/Director) (13) SPH Silver Care Pte Ltd (Director) (14) National Skin Centre Health Endowment Fund Committee (Member) (15) TTSH Community Fund (Director) (16) Invest Healthcare Pte Ltd (Director) (17) Orange Valley 3-T Rehab Pte Ltd (Director) (18) Orange Valley Nursing Homes Pte Ltd (Director) (19) Orange Valley Properties Pte Ltd (Director) (20) Life-Medic Healthcare Supplies Pte Ltd (Director) (21) Singapore Nutri-Diet Industries Pte Ltd (Director)</p>	Nil

#### Notes:

- Information on directors' shareholdings in the Company and its related corporations is set out in the Directors' Statement on pages 72 to 74 of this Annual Report.
- N.A. means not applicable.

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## Proportion of independent directors

There are five independent directors, constituting more than 50% of the Board. The independent directors of the Company are:

- (1) Bobby Chin Yoke Choong (Lead Independent Director)
- (2) Jeffery Chan Cheow Tong
- (3) Ko Kheng Hwa
- (4) Josephine Choo Poh Hua
- (5) Seow Choke Meng

The independent directors held one independent meeting in FY2020 without the presence of Management. The meeting was held at the end of the annual business review meeting (“**ABR**”) in December 2020 to assess the performance of the Board Chairman; discuss Board processes and governance; and discuss any significant issues to be brought up to the Board Chairman’s attention. All independent directors attended the independent meeting.

## Determining independence of independent directors

The NC assesses the independence of the independent directors annually based on the provisions set out in the Code and the applicable Listing Rules.

Each independent director is required to make a declaration annually to confirm that there is no relationship as stated in the Code that would otherwise deem him not to be independent. The Company has also incorporated the criteria set out under SGX Listing Rules 210(5)(d)(i) and 210(5)(d)(ii) in its latest set of declaration forms distributed to the independent directors in January 2021.

Mr Bobby Chin Yoke Choong holds 1.5% shareholding in Kingdom Investment Holdings Pte. Ltd. (“**KIHPL**”), a related corporation of the Company. The NC has reviewed and is satisfied that Mr Chin’s minority interest in KIHPL does not affect his independence. The minority shareholding also does not fall within the ambit of relationships defined in the Code which will deem him not to be independent during the year.

The NC had reviewed the declarations of independence by the independent directors for FY2020, and was satisfied that all independent directors were suitable to be considered as independent for the purpose of Provision 2.1 the Code as well as SGX Listing Rules 210(5)(d)(i) and 210(5)(d)(ii). All independent directors were also independent from the major shareholders of the Company. During the process, each NC member who is an independent director had recused himself in the determination of his own independence.

## Independent directors with more than 9-year tenure

The Board currently does not have a policy on director tenure, but the Board pays close attention to the recommendations and provisions of the Code, as well as the mandatory requirements of the new SGX Listing Rules governing directors’ independence.

The Company has implemented a Board Assessment Framework since 2012 which includes a robust process for reviewing the independence of directors who have reached 9-year tenure. For FY2020, the independent directors who have reached 9-year tenure were rigorously assessed by the NC and the Board to determine if they possess positive personal attributes such as independent thinking and keen observation, and if they had demonstrated the ability to maintain integrity and strong principles.

Based on the directors’ performance assessment and the rigorous review process, the NC and the Board were satisfied that the directors who had reached 9-year tenure or beyond, namely Mr Jeffery Chan Cheow Tong and Mr Bobby Chin Yoke Choong had continued to maintain independence in their oversight role and they had continued to add value to the Company. The NC and the Board agreed unanimously that both Mr Jeffery Chan and Mr Bobby Chin possess valuable experience and knowledge, as well as high degree of integrity and independent judgment. Mr Bobby Chin and Mr Jeffery Chan did not participate in the rigorous review process.

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The Board was of the view that a director's independence cannot be determined on the basis of a set tenure. The Board values continuity and stability and has recommended that Mr Bobby Chin and Mr Jeffery Chan continue to serve the Board.

In line with the SGX Listing Rule 210(5)(d)(iii) which will take effect from 1 January 2022, the Company is looking into reviewing its Board and Board committee's composition. More details will be provided via SGXNET in due course.

## Determining Board's composition

The Board's composition is determined in accordance with the following principles:

- the composition of the Board should meet the requirements of the Code and the SGX Listing Rules;
- the Board should comprise directors with a broad range of expertise both nationally and internationally;
- the Board should have enough directors to serve on various Board committees without the directors being over-burdened to the extent that it becomes difficult for them to fully discharge their responsibilities; and
- the Board should observe the statutory requirements and the Company's Constitution with regard to the rotation and retirement of directors.

The composition of the Board is reviewed annually by the NC to ensure that there is a strong and independent element on the Board and that its size is appropriate to the scope and nature of the Group's operations.

The Board pays close attention to the recommendations, guidelines and provisions of the Code on diversity. In April 2017, the Board appointed its first female director, Ms Josephine Choo Poh Hua who is an experienced litigation lawyer from WongPartnership. Ms Choo's appointment has enhanced the Board's diversity in terms of skillset, gender and age.

In FY2020, the Board had reviewed and was of the view that there was sufficient diversity in skills, experience and knowledge of the Company in its current Board composition to maximise effectiveness. The Board will take into consideration other diversity aspects (such as ethnicity, geographical experience etc.) for any future Board appointments.

## **Principle 3: Chairman and Chief Executive Officer ("CEO")**

There is no separation of roles between the Chairman and CEO in the Company due to the fact that Dr Chua Tian Poh who indirectly owns the majority of the shares in the Company and has been personally involved in the day-to-day operations of the Company since its incorporation.

The Board is of the opinion that it has a strong and independent group of non-executive directors and is well balanced. In addition, the Company has appointed a lead independent director since 26 February 2007.

The Chairman is responsible for the effective working of the Board and his responsibilities include:

- leading the Board to ensure its effectiveness on all aspects of its role;
- creating the conditions for overall Board and individual director effectiveness;
- demonstrating ethical leadership;
- setting clear expectations concerning the Company's culture, values and behaviours;
- setting the Board agenda in consultation with the executive directors, and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- ensuring that all Board members are furnished with complete, high-quality and timely information;
- ensuring effective communication with shareholders;
- ensuring that proper procedures are set up to comply with the Code and applicable SGX Listing Rules; and
- promoting high standards of corporate governance.

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As part of its leadership development plan and succession planning, the Board appointed Mr Nicholas Chua as the Deputy CEO in 2018. Mr Nicholas Chua is son of the Chairman and CEO, Dr Chua Thian Poh. The primary responsibility of the Deputy CEO is to assist the CEO in implementing the Group's strategies and policies, and in the overall management of the Group's business.

Concurrently, Mr Ong Chong Hua was appointed as the Chief Operating Officer ("**COO**") in addition to his current role as Executive Director. As COO, Mr Ong is primarily responsible for all operational aspects of the Group's business.

### Role of the Lead Independent Director

As the Board Chairman and CEO of the Company is the same person, the Company has appointed a Lead Independent Director since 26 February 2007 in line with the Code of Corporate Governance 2012. The current Lead Independent Director is Mr Bobby Chin Yoke Choong (appointed since 1 May 2016).

The Lead Independent Director's terms of reference include (i) dealing with matters where the Board Chairman may be perceived to have a conflict of interest; (ii) being a spokesman and providing leadership among the directors in enhancing objectivity and independence of the Board; (iii) serving as an impartial challenge to check and balance the Board Chairman; and (iv) acting as a conduit to the Board for communicating shareholder concerns.

### **Principle 4: Board Membership**

Nominating Committee ("NC")	
Membership	Key objective(s)
Ko Kheng Hwa (NC Chairman)	<ul style="list-style-type: none"> <li>• Make recommendations to the Board on all board appointments and nomination of directors for election or re-election.</li> <li>• Assess Board's performance and Director's independence.</li> </ul>
Bobby Chin Yoke Choong	
Chua Thian Poh	
Seow Choke Meng	

The NC consists of three independent directors (including the NC Chairman) and one executive director. The Company's Lead Independent Director, Mr Bobby Chin Yoke Choong is a member of the NC.

The NC is guided by its Terms of Reference approved by the Board which sets out the following duties and responsibilities of the NC:

- making recommendations on all Board and Board committee appointments and re-appointments;
- determining the performance criteria and evaluation process for assessing the performance of the Board, the Board committees and individual directors;
- reviewing the size and composition of the Board to ensure the right mix to promote Board effectiveness;
- determining directors' independence;
- reviewing succession plans for directors and key management personnel; and
- reviewing and recommending training and professional development programmes for directors.

During FY2020, key activities of the NC include reviewing and making recommendations to the Board, the re-appointment of directors in accordance with the Company's constitution and the applicable Listing Rules, assessing the performance of the Board, its Committees and individual directors and determining the independence of directors (and conducting rigorous review of directors who have reached 9-year tenure).

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## **Process for selection, appointment of new directors, and re-appointment to the Board**

In the selection process for any new director, the NC will evaluate the balance of skills, knowledge and experience on the Board, and determine the role and desirable competencies for any new appointment to enhance the existing Board composition. Such evaluation may arise from the Board's annual evaluation process. When necessary, the NC may seek the help of external consultant to carry out the search process. The NC may meet with the potential candidate to assess his/her suitability and availability. The selection process will take into account the candidate's honesty, integrity, reputation, competence, capability and financial soundness. The NC will then make a recommendation to the Board for approval.

There was no appointment of new director in FY2020.

Eligibility of directors for re-election was reviewed by the NC annually based on the individual director's performance. In accordance with the Company's Constitution, all directors, except the director holding the office as CEO, are required to be re-elected at least once every three years.

Pursuant to SGX Listing Rule 720(5), all directors (including the CEO) appointed or re-appointed before 1 January 2019 will be subject to re-nomination and re-appointment latest by the Company's annual general meeting to be held on 28 April 2021. As the Exchange does not require the Company to amend its Constitution to allow for the CEO to be re-appointed to the Board, the Company will amend its Constitution to align with Listing Rule 720(5) in future, when necessary.

Supplementary information on the Directors seeking re-appointment for the upcoming AGM on 28 April 2021 is included in the Notice of AGM.

## **Induction and orientation for new directors**

As part of the Company's induction programme, new directors appointed to the Board are briefed and each will be issued with a director pack comprising (i) a letter of appointment which sets out the terms of appointment; (ii) a general guide on the duties and liabilities of a director of a listed company under the Companies Act and the SGX Listing Manual; and (iii) a set of the Company's corporate manual which contains all Company policies, including terms of references, approved by the Board.

A new director orientation programme will also be conducted by the senior management which will include briefings on the Group's current strategy, current projects, and annual budget.

## **Training for directors**

Directors are provided with the opportunity for training to ensure that they are conversant with their responsibilities and familiar with the Group's businesses, governance practices, relevant new legislations and changing commercial risks.

The directors can attend, at the Company's expenses, relevant conferences and seminars including programmes conducted by the Singapore Institute of Directors.

The Company arranges for directors' training programme based on the recommendations of the NC. In addition, the Company arranges for professional briefings when necessary to update the directors on any new regulatory development which has an impact on the Group. The costs of directors' training are borne by the Company.

The directors are also regularly briefed by the external auditors on new regulations and key changes to financial reporting standards. In FY2020, the directors were briefed by the external auditors from KPMG LLP ("**KPMG**") on key updates to regulatory requirements and reporting standards. The directors were provided with a quick overview on the IBOR reform, newly effective standards, key changes to SFRS(I) effective in 2020 and key SGX Regco changes. A detailed presentation by KPMG on the IBOR reform has been scheduled in FY2021.

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Each year, the Company organises an ABR for the directors. Presentations and briefings are conducted at the ABR by the senior management on the Group's operations, followed by discussion sessions on matters relating to operations, strategies and targets. Suitable site visits to the Group's overseas projects are also arranged so that the directors can have a better understanding of these projects. Due to the COVID-19 pandemic, the latest ABR was held in Singapore in December 2020 with safe distancing measures in place. During the ABR, Management gave a quick update to the Board on the effects of COVID-19 on the Group's business and the key strategies and targets for the next few years. A short tribute was paid to the late Mr Tan Eng Bock for his valuable contributions to the Group as a director of the Company for 15 years from 2002 to 2017. Mr Tan passed away in November 2020 at age 84.

## **Directors' time commitment**

Each director is required to disclose to the Company, his other appointment(s) and directorship(s) in corporation(s) which he currently serves as board member or executive officer, as well as his other principal commitment(s).

The NC carries out reasoned assessment of the ability of any director who has significant number of listed company directorships and principal commitments in line with Provision 4.5 of the Code. While the Board no longer maintains the maximum limit on listed board representation by the directors, all Directors appreciate the high level of commitment required of a Director.

For FY2020, the NC and the Board had reviewed and were satisfied that the directors with multiple board representation had given sufficient time and attention to the affairs of the Company and had adequately carried out their duties as directors of the Company. The meeting attendance records of all Directors as well as a list of their directorships are fully disclosed in our Annual Report.

## **Appointment of Alternate Directors**

There was no alternate director appointed during the year and no alternate director appointed since the Company was listed. This is in line with the Code which discourages the appointment of alternate director except for exceptional cases.

## **Principle 5: Board Performance**

The Ho Bee Board Assessment Framework was developed with the assistance of the Company's consultant, KPMG Services Pte Ltd in 2012. The framework was established and approved for use by the Board to ascertain the effectiveness of the Board as a whole, its Board committees and the contribution by the Board Chairman and each director to the effectiveness of the Board. The framework integrates the assessment of the Board, Board committees, Board Chairman and individual directors. This framework is reviewed annually by the NC and when required, refined to incorporate better practices to enable an effective and relevant assessment process.

In 2017, based on the NC's recommendation, the Board streamlined its performance evaluation process by adopting a new set of Board/Committee evaluation questionnaire. The new questionnaire encompasses the evaluation of the Board's performance as well as performance of the various Board committees.

The enhanced Board/Committee review process incorporates factors such as Board's composition and leadership; processes; information management; strategy and implementation; monitoring of company performance; management evaluation, compensation and succession; risk and crisis management; committee effectiveness; stakeholder management and engagement; and directors' development and management. The Board/Committee evaluation questionnaire was completed by each director. The results of the assessment were collated by the company secretary and provided to the NC. The NC assessed and discussed the performance of the Board as a whole and the effectiveness of the Board committees (ARC, NC and RC), and recommended to the Board key areas for improvement and follow-up actions. For FY2020, the directors were of the view that the Board and its various Board committees had been effective.

## CORPORATE GOVERNANCE

The Board Chairman is assessed annually by the independent directors during a meeting of and by the independent directors. The Board Chairman is assessed on attributes such as leadership, ethics, values, knowledge, interaction and communication skills. The result of the assessment is provided to the Board Chairman by the Lead Independent Director.

Individual directors are assessed annually using a director performance evaluation form. For FY2020, the evaluation was carried out collectively by the Board members during the NC meeting. Each director had recused himself in his own evaluation. The performance indicators for assessing the individual directors include director's duties, leadership, strategy, risk management, Board contribution, knowledge, interaction and communication skills.

### REMUNERATION MATTERS

#### Principle 6: Procedures for Developing Remuneration Policies

#### Principle 7: Level and Mix of Remuneration

Remuneration Committee ("RC")	
Membership	Key objective(s)
Jeffery Chan Cheow Tong (RC Chairman)	<ul style="list-style-type: none"><li>Assist the Board in ensuring that the directors and key management personnel of the Company and its subsidiaries are fairly remunerated for their individual contribution to the overall performance of the Group.</li><li>Make recommendations to the Board (in consultation with the Chairman) a framework of remuneration for the directors and key management personnel of the Company and its subsidiaries.</li></ul>
Seow Choke Meng	
Josephine Choo Poh Hua	

The RC comprises three Board members, all of whom including the RC Chairman are independent directors.

The key duties and responsibilities of the RC under its Terms of Reference are as follows:

- ensuring that the level and structure of remuneration is aligned with the long-term interest and risk policies of the Company;
- reviewing Management's proposal and recommend to the Board on the general remuneration framework and specific remuneration packages for the directors and key management personnel;
- reviewing all benefits and long-term incentive schemes (including share schemes) and compensation packages for the directors and key management personnel;
- reviewing service contracts for the directors and key management personnel; and
- ensuring that there is a fair compensation system for the directors and key management personnel.

The RC members are familiar with executive compensation matters and may seek expert advice for these matters, if necessary.

The RC reviews the level, structure and mix of remuneration and benefits policies and practices of the Company, to ensure that they are appropriate and proportionate to the sustained performance of the Company taking into account the strategic objectives of the Company, and to attract, retain and motivate the Key Management Personnel to successfully manage the Company for the long term. The RC takes into account all aspects of remuneration, including termination terms, to ensure that they are fair.

The Company's remuneration mix framework for executive directors and key management personnel is made up of various components such as a base/fixed salary, variable or performance-related bonuses and benefits/allowances.

The Company carries out benchmarking survey annually using internal resources to ensure that the remuneration of directors and key management personnel is in line with industry level. The Company also engages external remuneration consultant periodically to ensure that the remuneration packages are in line with industry practices. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2020.

## CORPORATE GOVERNANCE

Executive directors do not receive directors' fees. The Board Chairman and CEO, Dr Chua Thian Poh is entitled to profit sharing incentives under his service agreement with the Company.

Non-executive directors are paid directors' fees, subject to the approval of shareholders at the annual general meeting. The fee structure for determining non-executive directors' fees is as follows:

<b>Basic annual retainer fee for non-executive directors</b>	
Board Chairman	N.A.
Board Member	S\$60,000
<b>Additional fee for other appointments</b>	
Lead Independent Director	S\$10,000
Audit & Risk Committee Chairman	S\$30,000
Audit & Risk Committee Member	S\$15,000
Nominating Committee Chairman	S\$10,000
Nominating Committee Member	S\$5,000
Remuneration Committee Chairman	S\$10,000
Remuneration Committee Member	S\$5,000

**Note:** N.A. means not applicable.

In setting the remuneration framework for non-executive directors, the RC takes into consideration factors such as effort and time spent, and responsibilities of the directors. The RC ensures that the remuneration of non-executive directors is aligned with industry level and that non-executive directors are not overly compensated to such an extent which will compromise their independence.

During FY2020, the RC reviewed and recommended approvals of the annual wage packages for the Chairman and CEO, the Executive Directors and key management personnel of the Group. The RC also reviewed and recommended to the Board, the fees for the Independent Directors for FY2019 which were approved by shareholders at the AGM in May 2020. Each RC member had abstained from voting in respect of his own director's fees.

No director is involved in deciding his or her own remuneration.

## CORPORATE GOVERNANCE

### Principle 8: Disclosure on Remuneration

The remuneration of directors and key management personnel for FY2020 is set out in the tables below:

#### Remuneration of Directors and CEO (in bands of S\$250,000)

Name of directors	Directors' Fees <sup>(1)</sup>	Base / Fixed Salary	Variable / Bonuses	Benefits / Allowances	Share-Based	Total
<b>Above S\$8,250,000 and up to S\$8,500,000</b>						
Chua Thian Poh Chairman & CEO	-	11%	88%	1%	-	100%
<b>Above S\$1,500,000 and up to S\$1,750,000</b>						
Ong Chong Hua Executive director & COO	-	32%	67%	1%	-	100%
<b>Above S\$750,000 and up to S\$1,000,000</b>						
Desmond Woon Choon Leng Executive director	-	40%	59%	1%	-	100%
<b>S\$250,000 and below</b>						
Bobby Chin Yoke Choong Non-executive independent director	S\$105,000	-	-	-	-	S\$105,000
Jeffery Chan Cheow Tong Non-executive independent director	S\$85,000	-	-	-	-	S\$85,000
Ko Kheng Hwa Non-executive independent director	S\$85,000	-	-	-	-	S\$85,000
Seow Choke Meng Non-executive independent director	S\$70,000	-	-	-	-	S\$70,000
Josephine Choo Poh Hua Non-executive independent director	S\$80,000	-	-	-	-	S\$80,000

<sup>(1)</sup> Directors' fees are subject to shareholders' approval at the annual general meeting.

The remuneration of each individual executive director and the CEO is disclosed, on a named basis, in bands of S\$250,000 with a breakdown in percentage terms of the remuneration earned through base/ fixed salary, variable or performance-related income/bonuses and benefits-in-kind/allowances. There was no stock option granted, share-based incentive/award, and other long-term incentives. The exact remuneration of the executive directors and the CEO is not disclosed to maintain confidentiality. The Board is of the view that the above disclosures provide adequate information on the remuneration of the executive directors and the CEO. The actual fees of each independent director have been disclosed.

There are no termination, retirement and post-employment benefits granted to the directors and the CEO.

## CORPORATE GOVERNANCE

### Remuneration of top five key management personnel<sup>(1)</sup> (who are not directors or the CEO) (in bands of S\$250,000)

Name of key management personnel	Base / Fixed Salary	Variable / Bonuses	Benefits / Allowances	Share-Based	Total
<b>Above S\$1,000,000 and up to S\$1,250,000</b>					
Nicholas Chua <sup>(2)</sup>	38%	62%	-	-	100%
<b>Above S\$500,000 and up to S\$750,000</b>					
Chong Hock Chang	48%	52%	-	-	100%
Michael Vinodolac <sup>(3)</sup>	80%	18%	2%	-	100%
<b>Above S\$250,000 and up to S\$500,000</b>					
Josephine Lee	69%	31%	-	-	100%
<b>Below S\$250,000</b>					
Katharine Kum <sup>(4)</sup>	69%	30%	1%	-	100%

<sup>(1)</sup> The Company has only 5 key management personnel (who are not directors or the CEO) in FY2020.

<sup>(2)</sup> Mr Nicholas Chua is son of the Chairman & CEO, Dr Chua Tian Poh.

<sup>(3)</sup> Mr Michael Vinodolac was appointed as CEO of HB Land Pty Ltd, a wholly-owned subsidiary in Australia, on 3 February 2020.

<sup>(4)</sup> Ms Katharine Kum was appointed as General Manager, Project and Property Management on 6 April 2020.

The remuneration of the above key management personnel (who are not directors or the CEO) is disclosed, on a named basis, in bands of S\$250,000 with a breakdown in percentage terms of the remuneration earned through base/fixed salary, variable or performance-related income/bonuses and benefits-in-kind/allowances. There was no stock option granted, share-based incentive/award, and other long-term incentives. The Board is of the view that such disclosure provides adequate information on the remuneration of the above key management personnel (who are not directors or the CEO).

The aggregate total remuneration paid to the above key management personnel (who are not directors or the CEO) for FY2020 is S\$2,812,641.

There were no termination, retirement and post-employment benefits granted to the above key management personnel (who are not directors or the CEO).

### Remuneration of employees who are immediate family member of a director or CEO

Besides Mr Nicholas Chua, who is son of the Chairman and CEO, Dr Chua Tian Poh, and whose salary is disclosed in the above remuneration table for key management personnel (who are not directors or the CEO), there is no other employee who is a substantial shareholder or is an immediate family member of a director, the CEO or a substantial shareholder of the Company whose remuneration exceeds S\$100,000 in FY2020.

### Employee share option scheme

The Company's Share Option Scheme approved at the extraordinary general meeting held on 30 May 2001 ("**2001 Scheme**") had expired on 29 May 2011. There has been no new share option scheme or share scheme since the expiry of the 2001 Scheme.

The RC had reviewed the need to re-implement a share option scheme. The RC, having considered the Company's share price performance and the cost of implementing and administering the scheme, was of the view that a share option scheme was not cost beneficial. Accordingly, no recommendation had been made by the RC to the Board to re-implement a share scheme.

# CORPORATE GOVERNANCE

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## Performance conditions for executive directors and key management personnel

Performance measure for the executive directors and key management personnel is based on key performance indicators set each year for the individuals towards achievement of the Company's objectives. The annual salary review is carried out in December each year. In setting remuneration packages, the Company takes into account the pay and employment conditions within the industry and in comparable companies, as well as the profitability of the Group as a whole, and individual performance.

The profit sharing incentive for the Board Chairman and CEO, Dr Chua Thian Poh is based on a percentage of the Group's audited consolidated profit before tax (excluding any surplus/loss on revaluation of the Group's investment properties) for the relevant financial year, plus one-fifth of any surplus/loss on revaluation of the Group's investment properties for the relevant financial year. The balance four-fifths of the surplus/loss on revaluation of the Group's investment properties, are carried forward in equal amount every year for the next four years to determine his entitlement for subsequent years.

The profit-sharing formula for the Chairman and CEO was last revised in FY2017 to incorporate the Group's Return on Equity and Total Shareholder Return as additional conditions to determine his total remuneration. There was an increase in the profit-sharing incentive for FY2020 compared to FY2019.

There was an overall decrease in performance bonuses awarded to the other executive directors and key management personnel for FY2020 due to the decrease in the Group's overall profit level compared to FY2019.

## **ACCOUNTABILITY AND AUDIT**

### **Principle 9: Risk Management and Internal Controls**

The Group has put in place an Enterprise Risk Management ("**ERM**") Framework, which governs the risk management process in the Group since 2012. Through this framework, risk capabilities and competencies are continuously enhanced. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks to the Group's business. The risk management process in place covers, *inter alia*, financial, operational, information technology and compliance risks faced by the Group. The ARC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environment which the Group operates in.

The Group has established risk appetite statements with tolerance limits to monitor shifts in its significant risks and to proactively manage them within acceptable levels. These risk appetite statements were reviewed and approved by the Board, and are subject to periodic review by the ARC and the Board.

The key risks identified under the ERM Framework are those relating to investments, market concentration, country, foreign exchange, regulatory compliance, health and safety, land tendering, pricing and contract management. The key risks of the Group are deliberated by Management and reported to the ARC and the Board half-yearly.

Based on Management's recommendation and review by the ARC, the Group's risk appetite statement was revised in 2018 to reflect the increase of the Group's business concentration in the commercial segment with corresponding decrease in the residential and industrial segments. In addition, the country diversification ratio was updated to take into account the Group's new investments in Europe.

Complementing the ERM Framework is a Group-wide system of internal controls, which includes documented policies and procedures, proper segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business processes. To ensure that internal controls and risk management processes are adequate and effective, the ARC is assisted by various independent professional service providers. External auditors provide assurance over the risk of material misstatements in the Group's financial statements. Internal auditors provide assurance that controls over the key risks of the Group are adequate and effective.

## CORPORATE GOVERNANCE

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Since 2017, the Group has also established a crisis management framework with the assistance of a public relations consultant, Hoffman Agency. The framework outlines the various emergency response processes relating to operational, environmental, health, development, employee, IT and corporate incidents. The framework also addresses the crisis communication procedure for the various incidents depending on the crisis level.

The Group completed an IT upgrading exercise in 2018 for staff computers and initiated a data centre migration to adopt cloud and managed data centre platforms in place of existing in-house data centre facility for better cyber security controls. We also installed a new accounting consolidation tool to enhance our consolidation process.

With the COVID-19 situation and more staff accessing the network from home, the directors assessed the IT infrastructure of the Group when the Board met for the ABR in December 2020. Through a briefing conducted by our Group IT vendor, the directors were reassured on the level of security of our Group's IT infrastructure and systems. The Board also provided suggestions to reduce associated cybersecurity risks. The Board called for Vulnerability Assessment and Penetration Tests (VAPT) to be conducted for the Group and Management was tasked to have the said VAPT conducted in FY2021.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

### **Internal audit**

The Company's internal audit function is outsourced and its current internal auditor is Nexia TS Risk Advisory Pte. Ltd. (appointed since 1 January 2012). The internal auditor reports directly to the Chairman of the ARC on audit matters and to Management on administrative matters. The ARC reviews the internal audit reports and assesses the effectiveness of the internal auditor by examining the followings:

- the internal audit plan to ensure that the internal auditor has adequate resources to perform the audit;
- the scope of the internal audit work to ensure that majority of the identified risks are audited by cycle;
- the quality of the internal audit report to ensure the effectiveness of the internal auditor; and
- the independence of the internal auditor.

The internal auditor has unfettered access to all Company's documents, records, properties and personnel, including the ARC.

The internal auditor has confirmed that all their team members are corporate members of the Institute of Internal Auditors ("IIA") and are equipped with and practising the recommended standards set by the IIA.

Pursuant to SGX Listing Rule 1207(10C), the ARC had assessed and was satisfied that the internal audit function carried out by the internal auditor was independent, effective and adequately resourced as at 31 December 2020.

### **Board's commentary on the adequacy and effectiveness of the Company's internal controls and risk management system**

Based on the internal controls established and maintained by the Group, work performed by independent external third parties, reviews performed by and assurance from Management, the Board with the concurrence of the ARC is of the view that the Group's system of internal controls (including financial, operational, compliance and information technology controls) and risk management system, were effective and adequately resourced as at 31 December 2020.

The systems of internal controls and risk management established by the Group provide reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities.

## CORPORATE GOVERNANCE

During the process of reviewing the financial statements of the Group for FY2020, the Board had received assurance from the CEO and the Executive Director (Finance) that (i) the Group's financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances; and (ii) the Group's risk management and internal control systems were adequate and effective as at 31 December 2020.

### Principle 10: Audit Committee

Audit & Risk Committee ("ARC")	
Membership	Key objective(s)
Bobby Chin Yoke Choong (ARC Chairman)	<ul style="list-style-type: none"> <li>Assist the Board in fulfilling its oversight responsibilities</li> <li>Review the financial reporting process, the system of internal controls and risk management, the audit process, and the Company's process for monitoring compliance with laws and regulations and code of business conduct.</li> </ul>
Jeffery Chan Cheow Tong	
Ko Kheng Hwa	
Josephine Choo Poh Hua	

The ARC is made up of non-executive Directors, all of whom including the ARC Chairman are independent directors. Both Mr Bobby Chin and Mr Jeffery Chan possess chartered accountant qualifications. The other ARC members have accumulated accounting and financial management knowledge from their professional education and experiences.

None of the ARC members were previous partners or directors of the existing auditing firm within the last two years, and that none of the ARC members hold any financial interest in the auditing firm.

The Terms of Reference of the ARC provide that some key responsibilities of the ARC include:

- External Audit Process:** Reviewing and reporting to the Board, its assessment of the adequacy, effectiveness, independence, scope and results of the external audit and to approve the appointment or re-appointment of the external auditors;
- Internal Audit:** Reviewing and reporting to the Board, its assessment of the adequacy, effectiveness, independence, scope and results of the internal audit function and to approve the appointment or re-appointment of the internal auditors;
- Financial Reporting:** Reviewing and reporting to the Board, the Company's quarterly and annual financial statements, and any announcements relating to the Company's financial performance;
- Internal Controls and Risk Management:** Reviewing and reporting to the Board, on the adequacy and effectiveness of the Company's internal controls including financial, operational, compliance and information technology controls;
- Interested Person Transactions:** reviewing related party transactions and interested person transactions to ensure compliance with the regulations set out in the SGX Listing Manual;
- Whistle-blowing and investigations:** reviewing the Company's procedures for detecting fraud and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

The ARC has full access to the internal and the external auditors and meets them at least once a year without the presence of Management. It has full authority and discretion to invite any director or senior officer to attend its meetings.

The Company has provided all ARC members with a copy each of the Guidebook for Audit Committees in Singapore (Second Edition) issued jointly by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority ("ACRA") and the SGX, and the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council. In carrying out their responsibilities, the ARC members refer to these guidelines as appropriate. In addition, the ARC members have access to professional resources to keep themselves abreast of changes to accounting standards and issues which may have a direct impact on financial statements.

## CORPORATE GOVERNANCE

During FY2020, key activities of the ARC include:

- reviewing and recommending for the approval of the Board, the Company's half-year and annual financial statements, and announcements relating to the Company's financial performance;
- assessing the impact of the COVID-19 pandemic and ensuring cash flow to sustain the Group's operations on an ongoing basis;
- reviewing related party transactions and interested person transactions;
- reviewing the audit plan and audit report of the external auditors, their evaluation of the system of internal accounting controls and Management's responses to the recommendations;
- reviewing the scope and results of the external audits, their cost effectiveness, and the independence and objectivity of the external auditors, using ACRA's Audit Quality Indicators Disclosure Framework as a basis;
- nominating external auditors for re-appointment, and reviewing their remuneration and terms of engagement;
- reviewing the internal audit programme including the scope (and adjustments to the annual internal audit programme to prioritise and address risks and constraints arising during the pandemic) and results of the internal audit procedures, and Management's responses to the recommendations;
- reviewing the independence and resource capability of the internal auditors, and the adequacy and effectiveness of internal audits;
- approving the re-appointment, evaluation and remuneration of the internal auditors;
- reviewing the Company's level of risk tolerance, its risk strategy and risk policies;
- reviewing the Company's overall risk assessment process, risk assessment framework, parameters used in these measures and the methodology adopted; and
- reviewing risk reports on the Company and reviewing and monitoring Management's responsiveness to the findings.

For FY2020, the ARC had assessed and concurred with the Board that the Group's system of internal controls (including financial, operational, compliance and information technology controls) and risk management system were adequate and effective as at 31 December 2020.

### Audit & Risk Committee's commentary on key audit matters

The ARC had discussed the key audit matters for FY2020 with Management and the external auditors. The ARC concurred with the basis and conclusions included in the auditors' report with respect to the key audit matters for FY2020. For more information on the key audit matters, please refer to pages 77 to 79 of this Annual Report.

### Fees paid to external auditors

The total fees paid to the external auditors, KPMG LLP, for FY2020 are as disclosed in the table below:

External auditor fees for FY2020	S\$'000	% of total fees
Total Audit Fees	435	72%
Total Non-Audit Fees	170	28%
<b>Total Fees Paid</b>	<b>605</b>	<b>100%</b>

The ARC had reviewed the nature of non-audit services provided by the external auditors in FY2020. Based on the evaluation of external auditors for FY2020, and taking into consideration the external auditors' confirmation of independence, the ARC was of the view that the level of non-audit services and non-audit fees would not affect the independence and objectivity of the external auditors. For FY2020, the external auditors were assessed based on the audit quality indicators disclosure framework introduced by ACRA in October 2015.

# CORPORATE GOVERNANCE

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## Whistle-blowing policy

The Company has in place a whistle-blowing policy since 2007. It was last updated in 2014. Taking into consideration the provision of the Code and the upcoming changes to Listing Rules, Management proposed amendments to the policy which were reviewed by the ARC. On ARC's recommendation, the Board approved an updated policy on 9 November 2020.

Amendments to the whistle-blowing policy include the following:

- increasing the scope of the policy to cover external parties such as tenants, contractors (in addition to employees);
- setting out the required information for reporting;
- setting out ARC duties and reporting to the Board for whistleblowing matters;
- ensuring that the policy is specifically communicated to all employees; and
- making an additional communication channel of reporting via email available at [whistleblow@hobee.com](mailto:whistleblow@hobee.com). All whistle-blowing reports are submitted to the Chairman of the ARC.

The policy emphasised protection of whistle-blowers against reprisal, whether direct or indirect, carried out by Management, other employees, tenants, business partners or clients, at work or outside the workplace. If it is determined that the whistle-blower who is an employee experienced any reprisal consequential to his report, the ARC shall ensure that immediate action is taken to reinstate the employee to his former position or be fully compensated for any losses suffered.

The updated policy was made available to all employees and publicly available on the corporate website at [www.hobee.com/investor-relations/corporate-governance/](http://www.hobee.com/investor-relations/corporate-governance/).

The Company encourages its officers and employees of the Group to observe the highest standards of business and personal ethics in the conduct of their duties and responsibilities. The Company also encourages its officers, employees, vendors/contractors, consultants, suppliers and/or any other parties with whom the Group has a relationship to provide information that evidences unsafe, unlawful, unethical, fraudulent or wasteful practices.

All whistle-blower reports, including anonymous complaints are brought up to the ARC for review and reported to the Board.

In FY2020, other than a baseless complaint on a Management Council election result, there was no whistle-blower report received and no outstanding whistle-blower report under investigation as of the date of this report.

## **SHAREHOLDER RIGHTS AND ENGAGEMENT**

### **Principle 11: Shareholder Rights and Conduct of General Meetings**

The Company endeavours to treat all shareholders fairly and equitably, and recognise, protect and facilitate the exercise of shareholders' rights. It is the aim of the Board, in presenting the half-year and annual financial statements announcements, to provide shareholders with a comprehensive and balanced assessment of the Group's performance, financial position and prospects.

Shareholders are encouraged to attend the annual general meeting as this is the principal forum for any dialogue they may have with the directors and management of the Company. However, with the pandemic, our annual general meeting in 2020 was held electronically in accordance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**"). Abiding by the rules and guidance from the Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation on the conduct of general meetings, the Company held its annual general meeting for FY2019 electronically on 19 May 2020. All directors, the company secretary and auditors attended the annual general meeting (whether in person or by electronic means).

The Board welcomes views and questions from shareholders. At every annual general meeting, the Board Chairman and CEO, together with the respective chairmen of the ARC, NC and RC are available to answer any question or issue regarding the Company. The external auditors are also present to address shareholders' queries, if necessary.

# CORPORATE GOVERNANCE

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Notices for general meetings are announced via SGXNet within prescribed timeframe prior to the meetings. In line with changes to the SGX Listing Rules, the Company has implemented electronic transmission of documents to shareholders. The notices, together with relevant documents (such as annual report, letter to shareholders or circular) will be published on the Company's corporate website at <http://www.hobee.com>.

## **2021 Annual General Meeting**

In view of the current COVID-19 situation in Singapore, the 2021 Annual General Meeting will be convened and held by electronic means pursuant to the Order, similar to the Annual General Meeting held in 2020. Alternative arrangements such as attendance by electronic means, submission of questions in advance of the meeting and proxy voting by appointing Chairman of the meeting, and so on, will be in place. Shareholders are reminded to stay updated on the Company's SGXNet announcement as these meeting arrangements may change on short notice with the evolving pandemic situation.

In conformity with the SGX Listing Rules, the Company has started poll voting for all resolutions since 2016 and announced the detailed poll results via SGXNet immediately after the general meeting. The Company has also adopted electronic polling for its voting process and appointed an independent scrutineer to validate the electronic votes.

The Company has not implemented absentia voting at general meetings due to concern that this may complicate the voting process. We will implement such process only if relevant legislative changes are in place.

The Company maintains minutes of general meetings (usually within 10 days of the meetings). Commencing 2020, the Company publishes these minutes on its corporate website as soon as practicable after the relevant general meeting. Such minutes will record substantial and relevant comments from shareholders relating to the agenda of the general meeting, and responses from the Board and Management. These minutes are also uploaded onto the corporate website.

## **Dividends**

Although the Company has not formulated a dividend policy, it has been declaring dividends since 2001. In its evaluation and recommendation of dividends, the Board takes into consideration the Group's operating performance, financial condition, cash position and planned capital needs, as well as general business conditions and risks. It is the Board's objective to pay dividends on sustainable and regular basis, and to grow dividends over time, if possible, based on the Group's financial performance and conditions. A chart depicting dividends paid by the Company for the past 5 years can be found on page 26 of this Annual Report.

For FY2020, the Board has recommended a first and final dividend of 8 cents and a special dividend of 2 cents per ordinary share. This represents 48.4% of the Group's net profit after tax and non-controlling interests. Subject to shareholders' approval at the annual general meeting on 28 April 2021, the proposed dividends will be paid on 28 May 2021.

## **Principle 12: Engagement with Shareholders**

The Company has a formalised investor relations policy which sets out the Company's principles and procedures for communicating with shareholders and the investment community. A copy of the investor relations policy can be found under the "Investor Relations" section of the Company's corporate website at <http://www.hobee.com>.

In line with the Company's obligations for continuing disclosures, the Board's policy is for shareholders to be informed of all major developments and transactions that impact the Group. Information is disseminated to shareholders on a transparent and timely basis. All price sensitive information and financial results announcements are publicly released via SGXNet. The Group's results, annual reports and media releases can also be found under the "Investor Relations" section of the Company's corporate website at <http://www.hobee.com>.

The Company notifies investors of the date of release of its financial results through an SGXNet announcement about three weeks in advance. Results announcements are made within the prescribed timeframe. Following the amendment to Rule 705 of the Listing Rules effective 7 February 2020, the Company has ceased Quarterly Reporting and had announced its half-year and full year results in FY2020. Half-year results were released via SGXNet not later than 45 days after the half-year end and full year results were announced within 60 days from the financial year end. Each half-year and full year financial results announcement was accompanied by a media release.

## CORPORATE GOVERNANCE

The Company's investor relations function is led by an Executive Director who has the strategic management responsibility to integrate finance, accounting, corporate communication and legal compliance to enable effective communication between the Company and the investment community. The Executive Director is assisted by the Finance Director. The Executive Director and the Finance Director meet regularly with analysts and fund managers to facilitate shareholders' and investors' communication. They are augmented by the Board Chairman and CEO, as well as other senior management who participate and contribute actively to the Group's corporate communication and investor relations efforts.

### MANAGING STAKEHOLDERS RELATIONSHIPS

#### Principle 13: Engagement with Stakeholders

The Company has identified stakeholders as those who affect, and are affected by, the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

In order to review and assess the key focus areas relevant to the Company's business activities, the Company from time to time proactively engages with various stakeholders, including investors, tenants, employees, communities, government and regulators and business partners to gather feedback on the sustainability issues most important to them. Please refer to the Sustainability Report for more details.

### SECURITIES TRANSACTIONS

The Company has its own internal Code of Best Practices on Securities Transactions which provides guidance to its officers with regard to dealings by the Company and its officers in the Company's securities. It also sets out the prohibitions and provisions on insider trading of the SGX Listing Manual and the Securities and Futures Act.

With the amendment to Rule 705 of the Listing Rules and cessation of Quarterly Reporting, the Company amended its internal code in FY2020. Under the revised internal code, the Company and its officers are not allowed to deal in the Company's securities during the periods commencing one month before the announcement of the Company's half-year and full year results, as the case may be, and ending on the date of the announcement of the relevant results. The Company and its officers are also not allowed to deal in the Company's securities while in possession of undisclosed material information of the Group. Officers of the Company are also discouraged from dealing in the Company's securities on short-term consideration.

The Company issues reminders to its directors and officers on the restrictions in dealings in listed securities of the Company as set out above, in compliance with Rule 1207(19) of the SGX Listing Manual. The Company has complied with the best practices set out in the SGX Listing Manual.

### INTERESTED PERSON TRANSACTIONS

The Company has adopted a set of procedures for reporting and approving interested person transactions. Details of the interested person transactions for FY2020 are as follows:

Name of interested person	Aggregate value of all interested person transactions (excluding transactions less than S\$100,000 and transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual)	Aggregate value of all interested person transactions conducted under a shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000)
N.A.	N.A.	N.A.

N.A. means not applicable.

## CORPORATE GOVERNANCE

All interested person transactions conducted during the financial year were less than S\$100,000 for each transaction. The interested person transactions were carried out on normal commercial terms and were not prejudicial to the interests of the Company and its minority shareholders.

### PROFESSIONAL CONDUCT AND DISCIPLINE

The Company has in place various staff policies including those governing conduct, confidentiality, conflict of interests, health and safety, internet usage, intellectual property and software use, personal data protection, and safe-guard of official information. All employees of the Company are required to conduct and carry themselves in a professional manner while at work, and undertake to observe and comply with the policies.

### MATERIAL CONTRACTS

Save for the service agreements between the Chairman and CEO, and the Company, there were no material contracts of the Group involving the interests of the Chairman and CEO, each Director or controlling shareholding, either still subsisting at the end of FY2020 or if not then subsisting, entered into since the end of the previous financial year.

### Express disclosure requirements in principles and provisions of the Code

		PAGE REFERENCE IN HBL AR2020
<b>PRINCIPLES AND PROVISIONS OF THE CODE</b>		
<b>THE BOARD'S CONDUCT OF AFFAIRS</b>		
<b>Provision 1.2</b>	The induction, training and development provided to new and existing directors.	56
<b>Provision 1.3</b>	Matters that require Board approval.	47
<b>Provision 1.4</b>	Names of the members of the Board Committees, the terms of reference of the Board Committees, any delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities.	55, 58 and 64
<b>Provision 1.5</b>	The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every Board member at these meetings.	46
<b>BOARD COMPOSITION AND GUIDANCE</b>		
<b>Provision 2.4</b>	The board diversity policy and progress made towards implementing the board diversity policy, including objectives.	54
<b>BOARD MEMBERSHIP</b>		
<b>Provision 4.3</b>	Process for the selection, appointment and re-appointment of Directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidate.	56
<b>Provision 4.4</b>	Where the Board considers a Director to be independent in spite of the existence of a relationship which may affect his or her independence, the nature of the Director's relationship and the reasons for considering him or her as independent should be disclosed.	53
<b>Provision 4.5</b>	The listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties are disclosed.	48 to 52, 57

## CORPORATE GOVERNANCE

PRINCIPLES AND PROVISIONS OF THE CODE		PAGE REFERENCE IN HBL AR2020
<b>BOARD PERFORMANCE</b>		
<b>Provision 5.2</b>	How the assessments of the Board, its Board Committees and each Director have been conducted, including the identity of any external facilitator and its connection, if any, with the Company or any of its Directors.	57 to 58
<b>PROCEDURES FOR DEVELOPING REMUNERATION POLICIES</b>		
<b>Provision 6.4</b>	The Company discloses the engagement of any remuneration consultants and their independence.	58
<b>DISCLOSURE ON REMUNERATION</b>		
<b>Provision 8.1</b>	The Company discloses the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of (a) each individual director and the CEO, and (b) at least the top five key management personnel (who are not Directors or the CEO) in bands no wider than SGD250,000 and in aggregate the total remuneration paid to these key management personnel.	60 to 61
<b>Provision 8.2</b>	Names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a Director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds SGD100,000 during the year, in bands no wider than SGD100,000. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	61
<b>Provision 8.3</b>	The Company discloses all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company, and also discloses details of employee share schemes.	61 to 62
<b>RISK MANAGEMENT AND INTERNAL CONTROLS</b>		
<b>Provision 9.2</b>	Whether the Board has received assurance from (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) the CEO and the other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.	63 to 64
<b>SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS</b>		
<b>Provision 11.3</b>	Directors' attendance at general meetings of shareholders held during the financial year.	66
<b>ENGAGEMENT WITH SHAREHOLDERS</b>		
<b>Provision 12.1</b>	The steps taken to solicit and understand the views of shareholders.	67 to 68
<b>ENGAGEMENT WITH STAKEHOLDERS</b>		
<b>Provision 13.2</b>	The strategy and key focus areas in relation to the management of stakeholder relationships during the reporting period.	68