

CORPORATE GOVERNANCE

CapitaLand Limited (the Company and, together with its subsidiaries, the Group) aspires to the highest standards of corporate governance. The Company is committed to regularly improving its corporate governance practices. It has developed and, on an ongoing basis, maintains sound and transparent policies and practices to meet the specific business needs of the Group and to provide a firm foundation for a trusted and respected business enterprise. The Company remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (Code) while achieving operational excellence and delivering the Group's long-term strategic objectives. The Board of Directors (Board) is responsible for the Company's corporate governance standards and policies, underscoring their importance to the Group.

The Company has received accolades from the investment community for excellence in corporate governance. More details can be found in the Awards & Accolades section on pages 68 to 70 of this Annual Report.

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2017 with reference to the principles of the Code. The Company has complied in all material aspects with the principles, guidelines and recommendations in the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Report. In addition, the Company has included its answers to the questions in the Disclosure Guide provided by the Singapore Exchange Securities Trading Limited (SGX-ST) on pages 51 to 59 of this Annual Report.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1:

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board comprises 12 Directors, 11 of whom are non-executive independent Directors. The President & Group Chief Executive Officer (P&GCEO), who is an executive Director, is the only non-independent Director. The Board has diversity of skills and knowledge, experience, educational background, ethnicity and gender. Each Director brings to the Board skills, experience, insights and sound judgement which, together with his or her strategic networking relationships, serve to further the interests of the Group.

Board's Duties and Responsibilities

The Board oversees the strategic direction, performance and affairs of the Group and provides overall guidance to Management. The Board has the primary responsibility to foster the success of the Company so as to deliver sustainable value over the long term to shareholders.

The Board appoints the P&GCEO who is responsible for developing and implementing the Group's strategic plans approved by the Board and managing the Group's business.

The Board Charter sets out the Board's role, responsibilities, duties and powers. The duties and powers of the Board include:

- (a) approving the strategies and objectives for the Company, and monitoring their progress;
- (b) approving the financial plan (including annual budgets and capital management plans) and monitoring the financial performance of the Company;
- (c) approving share issuances, dividends and other returns to shareholders;
- (d) approving corporate and financial restructuring, mergers, major acquisitions and divestments;
- (e) approving the risk appetite of the Company, and reviewing the adequacy and effectiveness of the risk management and internal control systems;
- (f) considering sustainability issues as part of its strategic formulation;
- (g) approving the overall remuneration policy and compensation framework, and the compensation package for the P&GCEO and other key management positions; and
- (h) reviewing matters which involve a conflict of interest for a substantial shareholder or a Director.

At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of the Company. The Company has established a policy that its Directors disclose their interest in transactions, and recuse themselves from the deliberations on any matter in which they may be in a conflict of interest situation. Every Director has complied with this policy. Compliance by the relevant Director is duly minuted in the proceedings of the relevant meeting.

Board Committees

The Board has established various Board Committees to assist it in the discharge of its functions. These Board Committees are the Audit Committee (AC), the Executive Resource and Compensation Committee (ERCC), the Finance and Investment Committee (FIC), the Nominating Committee (NC) and the Risk Committee (RC). Each of these Board Committees operates under delegated authority from the Board with the Board retaining overall oversight and has its

own terms of reference. The composition of the various Board Committees is set out on the inside back cover of this Annual Report. The establishment of the AC, ERCC, NC and RC is consistent with the recommendations in the Code. The duties and responsibilities of the above committees are set out in this Report.

In addition to the AC, ERCC, NC and RC, the Board has established the FIC to assist the Board in its review of investment, and credit and funding proposals, as well as the long term strategy of the Company. The FIC carries out this responsibility within the authorities/limits approved by the Board. All members of the FIC, including the Chairman of the FIC, are non-executive independent Directors.

The Board may form other Board Committees from time to time.

The Board regularly undertakes a review of its Board Committees including their membership and terms of reference. The last review was undertaken in FY 2017. The composition of the Board Committees is also reviewed as and when there are changes to Board membership. The composition of the Board Committees is such that it fosters active participation and contributions from Board members and there is an equitable distribution of responsibilities among Board members. Diversity of experience and appropriate skills are considered in the composition of the Board Committees.

Sustainability Management

The Board's role includes considering sustainability issues as part of its strategic formulation. The Company is committed to sustainability and incorporates the key principles of environment, social and governance in setting its business strategies and operations. The Company has received recognition for its efforts; it is listed in the Sustainability Yearbook, Dow Jones Sustainability World Index, FTSE4Good Index Series and SGX Sustainability Indices, among others. More information on the Company's efforts on sustainability management can be found on pages 71 to 75 of this Annual Report and in the CapitaLand Global Sustainability Report which will be published by end May.

China Advisory Panel and CapitaLand Technology Council

In addition to Board Committees, the Company has also established the China Advisory Panel (CAP) in 2014 and CapitaLand Technology Council (CTC) in 2015. The CAP shares strategic insights on general, economic and real estate industry developments and trends in China. The CTC advises the Board on technology developments and initiatives to support the Company's efforts to harness technology to develop real estate of the future.

Delegation of Authority

The Board has adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of shares as well as debt and equity-linked instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board Committees and Management.

Meetings of Board and Board Committees

The Board meets at least once every quarter, and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year. The Constitution of the Company (Constitution) also provides for Directors to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing.

Prior to the start of each Board meeting, where required, the non-executive Directors meet without the presence of Management. The Board also meets annually to review and discuss the Group's strategies with Senior Management. At Board and Board Committee meetings, non-executive Directors review the performance of the business, the progress made by Management in achieving agreed goals and objectives and monitor the reporting of such performance.

The Company adopts and practices the principle of collective decisions. This ensures that no individual influences or dominates the decision-making process. Where a Director has a conflict of interest in a particular matter, he or she will be required to recuse himself or herself from the deliberations and abstain from voting on the matter.

A total of six Board meetings were held in FY 2017. This included an annual offsite meeting with Senior Management to review and plan the Group's strategies. A record of the Directors' attendance at Board and Board Committee meetings in FY 2017 is set out on page 48 of this Annual Report. The P&GCEO who is also a Director attends all Board meetings. He also attends all Board Committee meetings on an ex officio basis. Other senior executives attend Board and Board Committee meetings as required to brief the Board on specific business matters.

Directors' Development

In view of the increasingly demanding, complex and multi-dimensional role of a Director, the Board recognises the importance of continual training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors of the Company to the best of their abilities. The Company has in place a training framework to guide and support the Company towards meeting the objective of having a Board which comprises individuals

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who are competent and possess up-to-date knowledge and skills necessary to discharge their responsibilities. The costs of training are borne by the Company. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a Director). All Directors upon appointment also undergo an induction programme which focuses on orientating the Director to the Company's business, operations, strategies, organisation structure, responsibilities of key management personnel, and financial and governance practices. The induction programme also includes site visits. Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members. Directors may also propose training and development in relevant areas of interest to the Board. In FY 2017, the training and professional development programmes for Directors included forums and dialogues with experts and senior business leaders on issues facing boards and board practices. The Directors also participated in sessions with members of CTC and CAP.

Board Composition and Guidance

Principle 2:

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.

The Board, through the NC, reviews from time to time the size and composition of the Board, with a view to ensuring that the size of the Board is appropriate in facilitating effective decision-making taking into account the scope and nature of the Group's operations, and that the Board has a strong independent element.

The Board comprises 12 Directors, 11 of whom (including the Chairman) are non-executive independent Directors. The Board has a strong independent element. In addition, the Chairman and the P&GCEO are separate individuals and not related to each other. The recommendation in the Code for a lead independent director is therefore not applicable. Profiles of the Directors are provided on pages 14 to 20 of this Annual Report.

The Board, taking into account the views of the NC, assesses the independence of each Director in accordance with the guidance in the Code. An independent Director is one who has no relationship with the Company, its related corporations and its shareholders who hold 10% or more of the voting shares of the Company, or its officers that could interfere, or be reasonably perceived to interfere with the exercise of his or her independent business judgement.

The Board has established a process for assessing the independence of its Directors. As part of the process:

- (a) each non-executive Director provides information of his or her business interests and confirms, on an annual basis, that there are no relationships which interfere with the exercise of his or her independent business judgment with a view to the best interests of the Company; such information is then reviewed by the NC; and
- (b) the NC also considers the respective Directors' contributions at Board and Board Committee meetings, specifically, if they have exercised independent judgement in discharging their responsibilities.

Thereafter, the NC's recommendation is presented to the Board for its determination. Each Director is required to recuse himself or herself from the NC's and the Board's deliberations respectively on his or her own independence.

The Board has carried out the assessment of each of its Directors for FY 2017 and the paragraphs below set out the outcome of the assessment. All of the Directors have served on the Board for fewer than nine years.

Mr Ng Kee Choe

Mr Ng serves as a member on the Board of Trustees of Temasek Trust. Temasek Trust is the philanthropic arm of Temasek Holdings (Private) Limited (Temasek), which is the controlling shareholder of the Company as defined by the Listing Manual of the SGX-ST (Listing Manual). Temasek Trust is a not-for-profit organisation which independently oversees the management and disbursement of Temasek's endowments and gifts. Mr Ng's role as a member of the Board of Trustees is non-executive in nature and he is not involved in the day-to-day conduct of the business of Temasek Trust.

The Board also considered the conduct of Mr Ng in the discharge of his responsibilities as a Director, and is of the view that the relationship set out above did not impair his ability to act with independent judgement in the discharge of his responsibilities as a Director. Based on the above, the Board arrived at the determination that he is an independent Director. Mr Ng had recused himself from the NC's and the Board's deliberations respectively on his independence.

Ms Euleen Goh

Ms Goh also serves as a member on the Board of Trustees of Temasek Trust. Like Mr Ng, Ms Goh's role as a member of the Board of Trustees is non-executive in nature and she is not involved in the day-to-day conduct of the business of Temasek Trust.

Ms Goh is also a non-executive director of DBS Bank Ltd (DBS Bank) which provides banking services to the Group. Ms Goh's role in DBS Bank is non-executive in nature and she is not involved in the business operations of the bank. The decision to engage DBS Bank was made by Management in the ordinary course of business and on normal commercial terms, based on merit and competitive terms negotiated by Management. Ms Goh was not involved in the process or approval of the engagement. The magnitude of the fees and payments made to DBS Bank was also considered. Although the amounts were not insignificant in absolute terms, they were not material when compared to DBS Bank's total income and the Company's total expenses respectively.

The Board also considered the conduct of Ms Goh in the discharge of her responsibilities as a Director, and is of the view that the relationships set out above did not impair her ability to act with independent judgement in the discharge of her responsibilities as a Director. Based on the above, the Board arrived at the determination that she is an independent Director. Ms Goh had also recused herself from participating in any Board deliberation on any transactions that could potentially have given rise to a conflict of interest. Ms Goh had recused herself from the Board's deliberations on her independence.

Mr Stephen Lee

Mr Lee was appointed as a non-executive director of Temasek on 1 July 2017. Mr Lee's role on the Temasek board is non-executive in nature and he is not involved in the day-to-day conduct of the business of Temasek. He had also provided confirmation that he was not under any obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of Temasek.

The Board also considered the conduct of Mr Lee in the discharge of his responsibilities as a Director, and is of the view that the relationship set out above did not impair his ability to act with independent judgement in the discharge of his responsibilities as a Director. Based on the above, the Board arrived at the determination that he is an independent Director. Mr Lee had also recused himself from participating in any Board deliberation on any transactions that could potentially have given rise to a conflict of interest. Mr Lee had recused himself from the NC's and the Board's deliberations respectively on his independence.

Mr Kee Teck Koon

Mr Kee serves as a corporate advisor of Temasek International Advisors Pte Ltd (TIA), a wholly owned subsidiary of Temasek. In this role, Mr Kee provides corporate advisory services to TIA in relation to proposed investments or projects of Temasek which are non-real estate in nature. Mr Kee's role in TIA is non-executive and advisory in nature, and he is not involved in the day-to-day conduct of the business of TIA.

Mr Kee is also a non-executive director of Raffles Medical Group Ltd (RMG) which provides healthcare insurance and medical services as part of the welfare and benefits scheme for CapitaLand Group employees. Mr Kee's role in RMG is non-executive in nature and he is not involved in the business operations of RMG. The decision to engage RMG was made by Management in the ordinary course of business and on normal commercial terms, based on merit and competitive terms negotiated by Management. Mr Kee was not involved in the process or approval of the engagement. The magnitude of the fees and payments made to RMG was also considered. Although the amounts were not insignificant in absolute terms, they were not material when compared to RMG's total income and the Company's total expenses respectively.

The Board also considered the conduct of Mr Kee in the discharge of his responsibilities as a Director, and is of the view that the relationships set out above did not impair his ability to act with independent judgement in the discharge of his responsibilities as a Director. Based on the above, the Board arrived at the determination that he is an independent Director. Mr Kee had also recused himself from participating in any Board deliberation on any transactions that could potentially have given rise to a conflict of interest. Mr Kee had recused himself from the Board's deliberations on his independence.

Dr Philip Pillai and Mr Gabriel Lim

Both Dr Pillai and Mr Lim do not have any relationships and are not faced with any of the circumstances identified in the Code, or any other relationships which may affect their independent judgement. The Board noted that:

- (a) Dr Pillai is also a non-executive board member of the Inland Revenue Authority of Singapore, a statutory board which functions as the tax collecting agency of Singapore. This role generates no conflict of interest in respect of his role as a Director of the Company.
- (b) Mr Lim is the Permanent Secretary of the Ministry of Communications and Information. His public office duties do not require him to take or subject him to any obligation to follow any instructions from any government authorities in relation to the corporate affairs of the Company.

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The Board also considered the conduct of Dr Pillai and Mr Lim in the discharge of their responsibilities as Directors, and is of the view that they had acted with independent judgement in the discharge of their responsibilities as Directors. Based on the above, the Board arrived at the determination that each of Dr Pillai and Mr Lim is an independent Director. Each of Dr Pillai and Mr Lim had recused himself from the Board's deliberations on his independence.

Mr John Morschel, Tan Sri Amirsham A Aziz, Mr Chaly Mah, Mr Anthony Lim and Ms Goh Swee Chen

Mr John Morschel, Tan Sri Amirsham A Aziz, Mr Chaly Mah, Mr Anthony Lim and Ms Goh Swee Chen do not have any relationships and are not faced with any of the circumstances identified in the Code, or any other relationships which may affect their independent judgement. The Board considered whether each of them had demonstrated independence in character and judgement in the discharge of his or her responsibilities as a Director and concluded that each of them had acted with independent judgement. Based on the above, the Board arrived at the determination that each of Mr John Morschel, Tan Sri Amirsham A Aziz, Mr Chaly Mah, Mr Anthony Lim and Ms Goh Swee Chen is an independent Director. Each of the above Directors had recused himself or herself from the Board's deliberations on his or her independence. Mr Morschel who is also an NC member had also recused himself from the NC's deliberations on his independence.

The Board has determined that Mr Lim Ming Yan, the Company's P&GCEO, is the only non-independent Director. All other members of the Board are independent Directors as defined under the Code. The Board has a strong independent element in that the P&GCEO is the only non-independent Director.

Chairman and Chief Executive Officer

Principle 3:

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The roles and responsibilities of the Chairman and the P&GCEO are held by separate individuals. The non-executive independent Chairman, Mr Ng Kee Choe, is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. The P&GCEO, Mr Lim Ming Yan, has full executive responsibilities to manage the Group's business and to develop and implement Board approved policies.

The Chairman is responsible for leadership of the Board and for facilitating the conditions for the overall effectiveness of

the Board, Board Committees and individual Directors. This includes setting the agenda of the Board in consultation with the P&GCEO to ensure that there is sufficient information and time to address all agenda items, and promoting open and constructive engagement among the Directors as well as between the Board and the P&GCEO on strategic issues. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the P&GCEO on strategies. He also maintains open lines of communication and engages with other members of the senior leadership regularly, and acts as a sounding board on strategic and operational matters.

The Chairman and the P&GCEO are not immediate family members. The separation of the roles of the Chairman and the P&GCEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the Group's business activities and the exchange of ideas and views to help shape the strategic process. As the roles of the Chairman and P&GCEO are held by separate individuals who are not related to each other, and the Chairman is an independent Director, no lead independent director is required to be appointed.

Board Membership

Principle 4:

There should be a formal and transparent process for the appointment and reappointment of Directors to the Board.

The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. The NC seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience, gender and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to the Group's business.

All NC members, including the Chairman of the NC, are non-executive independent Directors. The NC met two times in the year under review. The NC also reviewed and approved various matters within its remit via circulating papers.

Under its terms of reference, the NC's scope of duties and responsibilities is as follows:

- (a) reviewing and making recommendations to the Board on the size and composition of the Board, the succession plans for Directors, and the structure and membership of the Board Committees;
- (b) reviewing and recommending the process for the evaluation of the performance of the Board, Board Committees and Directors;

- (c) identifying and developing training and professional development programmes for the Board;
- (d) considering annually and, as and when circumstances require, if a Director is independent and providing its views to the Board for consideration; and
- (e) reviewing whether a Director has been adequately carrying out his or her duties as a director.

The Board supports the principle that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of the Group's business. Replacement of a Director therefore does not necessarily reflect his or her performance or contributions to date. The Board seeks to refresh its membership progressively and in an orderly manner. In this regard, Board succession planning is carried out through the annual review of the Board's composition as well as when a Director gives notice of his or her intention to retire or resign.

The NC carries out a proactive review of the Board composition at least annually as well as on each occasion that an existing non-executive Director gives notice of his or her intention to retire or resign. The review includes assessing the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve the Group's strategic and operational objectives. The outcome of that assessment is reported to the Board. In carrying out this review, the NC takes into account the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity). The NC also identifies suitable candidates for appointment to the Board. External consultants may be retained from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria including background, experience, professional skills and personal qualities including integrity, reputation as well as expected contributions to the highest standards of corporate governance. The NC and the Board will also consider whether a candidate's skills and experience will complement the existing Board, and whether the candidate has sufficient time available to commit to his or her responsibilities as a Director.

The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, legal, investment, accounting, and technology backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable Management to benefit from their respective expertise and diverse

backgrounds. The Board also considers gender an important aspect of diversity alongside factors such as the age, ethnicity and educational, business and professional background of its members. The Board is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational, business and professional background in determining the optimal composition of the Board in its Board renewal process.

In the year under review, no alternate Directors were appointed. In keeping with the principle that a Director must be able to commit time to the affairs of the Company, the NC has adopted the principle that it will generally not approve the appointment of alternate Directors.

Election of Board members is the prerogative and right of shareholders. The Constitution requires one-third of its Directors (prioritised by length of service since the previous reelection or appointment and who are not otherwise required to retire) to retire and subject themselves to reelection by shareholders (one-third rotation rule) at every annual general meeting (AGM). In addition, any newly appointed Director (whether as an additional Director or to fill a casual vacancy) will submit himself or herself for retirement and election at the AGM immediately following his or her appointment. Thereafter, he or she is subject to the one-third rotation rule.

With regard to the reelection of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the provisions of the Constitution. The NC makes recommendations to the Board as to whether the Board should support the reelection of a Director who is retiring and, for that purpose, undertakes a review of the retiring non-executive Director's performance during the period in which the non-executive Director has been a member of the Board. Each member of the NC is required to and recuses himself or herself from deliberations on his or her own reelection. Shareholders elect the Directors or candidates put up for election and reelection at the AGM individually and are provided with relevant information in the Annual Report on the Directors or candidates who are seeking election or reelection.

The P&GCEO, as a Board member, is also subject to the one-third rotation rule. His role as P&GCEO is separate from his position as a Board member, and does not affect the ability of shareholders to exercise their right to select all Board members.

During FY 2017, Mr Simon Israel retired from the Board and three new Directors, namely, Mr Gabriel Lim, Mr Anthony Lim and Ms Goh Swee Chen, joined the Board.

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The NC also conducts a review of the commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director. Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed company board appointments which any Director may hold, and discloses this in the annual report. In view of the responsibilities of a Director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Company.

All Directors are required to confirm on an annual basis, and for FY 2017, have confirmed that they were able to devote sufficient time and attention to the affairs of the Company. The NC has assessed each Director's ability to commit time to the affairs of the Company, taking into consideration also their commitments and their attendance record at meetings of the Board and Board Committees (the attendance record for FY 2017 is set out on page 48 of this Annual Report), and has determined that each Director has been adequately carrying out his or her duties as a Director of the Company.

The Board, taking into consideration the assessment of the NC, is satisfied that each Director can devote sufficient time and attention to the affairs of the Company.

Board Performance

Principle 5:
There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board.

The Company believes that oversight from a strong and effective Board goes a long way toward guiding a business enterprise to achieving success.

The Board, through the NC, strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, expertise relevant to the Group's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of the Group.

Whilst Board performance is ultimately reflected in the long-term performance of the Group, the Board believes that engaging in a regular process of self-assessment and evaluation of Board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for the Company.

The NC undertakes a process to evaluate the effectiveness of the Board as a whole and the Board Committees for every financial year. An external consultant is engaged to facilitate the evaluation process. The consultant is independent of and is not related to the Company or any of its Directors. As part of the process, questionnaires are sent by the consultant to the Directors and Management and interviews are conducted where required. The objective of the interviews is to seek clarifications to the feedback obtained from the responses in the questionnaires, during which broader questions might also be raised to help validate certain survey findings. The findings are then evaluated by the consultant and reported, together with the recommendations of the consultant, to the Board. The evaluation categories covered in the questionnaire included Board composition, information management, Board processes, corporate integrity and social responsibility, managing company performance, strategy review, Board Committee effectiveness, P&GCEO performance and succession planning, Director development and management, and managing risk and adversity. The findings and the recommendations of the consultant which include benchmarking information and best practices of other boards, are considered by the Board and follow up action is taken, where necessary.

In respect of individual Directors, formal evaluation is carried out by the NC as and when a Director is due for retirement by rotation and is seeking reelection. The Board also recognises that contributions by an individual Board member can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings.

The Board further believes that the collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering the Company in the appropriate direction, as well as the long-term performance of the Company whether under favourable or challenging market conditions.

Access to Information

Principle 6:
In order to fulfill their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Company recognises the importance of providing the Board with relevant information on a timely basis prior to Board and Board Committee meetings and on an ongoing basis, to enable Directors to make informed decisions to discharge their duties and responsibilities.

In addition to providing complete, adequate and timely information to the Board on Board affairs and issues requiring the Board's decision, Management also provides ongoing reports relating to the operational and financial performance of the Company, such as monthly management reports.

As a general rule, Board papers are sent to Board or Board Committee members at least five working days prior to each Board or Board Committee meeting, to allow them to prepare for the meetings and to enable discussions to focus on any questions that they may have. Where appropriate, informal meetings are also held for Management to brief Directors on prospective transactions and potential developments in the early stages before formal Board approval is sought.

The Board meets regularly and Board meetings, in general, last up to a full day. At each Board meeting:

- (a) the Chairperson of each Board Committee provides an update on the significant matters discussed at the Board Committee meetings which are typically scheduled before the quarterly Board meetings;
- (b) the P&GCEO provides updates on the Group's business and operations;
- (c) the Group Chief Financial Officer (GCFO) presents the financial performance; and
- (d) presentations in relation to specific business areas are also made by senior executives, external consultants or experts.

This allows the Board to develop a good understanding of the progress of the Group's business as well as the issues and challenges facing the Group, and also promotes active engagement with the key executives of the Group.

In line with the Company's ongoing commitment to limit paper waste and reduce its carbon footprint, the Company does not provide printed copies of Board papers. Instead,

Directors are provided with tablet devices to enable them to access and read Board and Board Committee papers prior to and in meetings. This initiative also enhances information security as the papers are downloaded to the tablet devices through an encrypted channel.

The Board has separate and independent access to Management, including the Company Secretary, at all times. The Company Secretary attends to corporate secretarial administration matters and is the corporate governance advisor on corporate matters to the Board and Management. The Company Secretary attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed. The appointment and the removal of the Company Secretary is subject to the Board's approval. The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, at the Company's expense.

The Board sets aside time at each scheduled meeting to meet without the presence of Management. There were no separate meetings of the independent Directors without the presence of other Directors in FY 2017 as all the non-executive Directors are independent Directors. The AC also meets the internal and external auditors separately at least once a year without the presence of the P&GCEO and Management.

The Board has unfettered access to any Management staff for any information that it may require.

Through the training framework adopted for the professional development of the Directors, Directors also receive on a regular basis reading materials on topical matters or subjects and regulatory updates and implications. In addition, where appropriate, briefings from industry players or consultants are also arranged.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7:
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

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Level and Mix of Remuneration

Principle 8:

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Disclosure on Remuneration

Principle 9:

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The Board has established the ERCC to oversee executive compensation and development. In carrying out this role, the ERCC also aims to build capable and committed management teams through competitive compensation and progressive policies which are aligned to the long-term interests and risk policies of the Group. The ERCC thus plays a crucial role in helping to ensure that the Company is able to attract, motivate and retain the best talents to drive the Group's business forward.

All ERCC members, including the Chairman of the ERCC, are non-executive independent Directors. The ERCC met four times in the year under review.

The ERCC is guided by its terms of reference. In particular, the ERCC recommends to the Board for approval a general framework of remuneration for the non-executive Directors and key management personnel of the Group, and the specific remuneration package for each key management personnel. The ERCC also recommends to the Board for endorsement the specific remuneration package for each Director.

The ERCC conducts, on an annual basis, the evaluation of the P&GCEO's performance and a succession planning review of the P&GCEO and key management positions in the Group, and presents its findings and recommendations to the Board. Potential candidates for leadership succession are reviewed for their readiness in the immediate, medium and longer term.

Remuneration policy for key management personnel

The principles governing the Company's key management personnel remuneration policy are as follows:

- ▼ **Business Alignment**
 - Build sustainable value creation and drive dollar returns above the risk-adjusted cost of capital to align with longer term shareholder interests
 - Provide sound and structured funding to ensure affordability and cost-effectiveness in line with performance goals
 - Enhance retention of key talents to build strong organisational capabilities
- ▼ **Motivate Right Behaviour**
 - Pay for performance – align, differentiate and balance rewards according to multiple dimensions of performance
 - Strengthen line-of-sight linking rewards and performance
 - Foster group-wide interests to recognise the interdependence of the various businesses of the Group and drive superior outcomes
- ▼ **Fair & Appropriate**
 - Ensure competitive remuneration relative to the appropriate external talent markets
 - Manage internal equity such that remuneration systems are viewed as fair across the Group
 - Significant and appropriate portion of pay-at-risk, taking into account risk policies of the Group, symmetrical with risk outcomes and sensitive to the risk time horizon
- ▼ **Effective Implementation**
 - Maintain rigorous corporate governance standards
 - Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations
 - Facilitate employee understanding to maximise the value of the remuneration programmes

The Board sets the remuneration policies in line with the Company's business strategy and approves the executive compensation framework based on the key principle of linking pay to performance. The Board has access to independent remuneration consultants to advise as required.

Consistent with its practice in previous years, the ERCC appointed an independent remuneration consultant, Mercer (Singapore) Pte Ltd, to provide professional advice on Board and executive remuneration in FY 2017. The consultant is not related to the Company or any of its Directors. In its deliberations, the ERCC also took into consideration industry practices and norms in compensation.

Remuneration for Key Management Personnel

Remuneration for key management personnel comprises fixed components, variable cash components, share-based components and employee benefits:

A. Fixed Components:

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund.

B. Variable Cash Components:

The variable cash components comprise the Balanced Scorecard Bonus Plan (BSBP) and Economic Value-Added (EVA)-based Incentive Plan (EBIP).

Balanced Scorecard Bonus Plan

The BSBP is linked to the achievement of annual performance targets for each key management personnel as agreed at the beginning of the financial year with the Board and/or the P&GCEO, as the case may be.

Under the Balanced Scorecard framework, the Group's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets in the dimensions of *Financial, Execution, Growth* and *People*; these are cascaded down throughout the organisation, thereby creating alignment across the Group.

After the close of each year, the ERCC reviews the Group's achievements against the targets set in the Balanced Scorecard, determines the overall performance taking into consideration qualitative factors such as the quality of earnings, business environment, regulatory landscape and industry trends, and approves a bonus pool that corresponds to the performance achieved.

In determining the payout quantum for each key management personnel under the plan, the ERCC considers the overall business performance and individual performance as well as the affordability of the payout to the Company.

Economic Value-Added-based Incentive Plan

The EBIP is based on sharing with employees a portion of the EVA, which varies according to the actual achievement of residual economic profit.

The EBIP rewards sustainable shareholder value creation over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of a real estate business.

Under this plan, the bonus declared to each EBIP participant for the current year is added to the participant's balance carried forward from the previous year, upon which one-third of the resulting total balance is paid out in cash, with the remaining two-thirds to be carried forward to the following year. The balance in each participant's EBIP account is at risk because a significant reduction in EVA in any year may result in retraction (performance clawback) of the EBIP bonus declared in preceding years. The EBIP encourages key management personnel to work for sustained EVA generation and to take actions that are aligned with the longer term interests of shareholders.

In determining the EBIP bonus declared to each participant, the ERCC considers the overall business performance, individual job responsibilities, performance and contribution, as well as the relevant market remuneration benchmarks.

C. Share-based Components:

Share awards were granted in FY 2017 pursuant to the CapitaLand Performance Share Plan 2010 (PSP) and the CapitaLand Restricted Share Plan 2010 (RSP) (together, the Share Plans), approved and adopted by the shareholders of the Company at the Extraordinary General Meeting held on 16 April 2010.

For FY 2017, the total number of shares in the awards granted under the Share Plans did not exceed the yearly limit of 1% of the total number of issued shares (excluding treasury shares). The obligation to deliver the shares is expected to be satisfied out of treasury shares.

Details of the Share Plans as well as awards granted under the Share Plans are given in the Share Plans section of the Directors' Statement on pages 112 to 115 and the Equity Compensation Benefits section of the Notes to the FY 2017 Financial Statements on pages 191 to 195.

CapitaLand Performance Share Plan 2010

In FY 2017, the ERCC granted awards which are conditional on targets set for a performance period, currently prescribed to be a three-year performance period. A specified number of shares will only be released to the recipient at the end of the qualifying performance period, provided that minimally the threshold targets are achieved.

CORPORATE GOVERNANCE

Under the PSP, an initial number of shares (baseline award) is allocated according to the following performance conditions:

- Absolute Total Shareholder Return (TSR) of the Group measured as a multiple of Cost of Equity;
- Relative TSR of the Group measured as a percentile ranking of the Group's TSR against those of a peer group comprising public-listed companies of comparable scale, scope and business mix in Singapore, Hong Kong and China; and
- Average Return on Equity (ROE) of the Group for the second and third years of the performance period.

The above performance measures have been selected as key measurements of wealth creation for shareholders. The final number of shares to be released will depend on the achievement of pre-determined targets over the three-year qualifying performance period. No share will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more shares than the baseline award can be delivered up to a maximum of 200% of the baseline award. Recipients will receive fully paid shares at no cost.

For the year under review, the relevant award for assessment of the performance achieved by the Group is the award granted in FY 2015 in respect of which the qualifying performance period was FY 2015 to FY 2017. Based on the ERCC's assessment that the performance achieved by the Group has partially met the pre-determined performance targets for the three-year qualifying performance period of FY 2015 to FY 2017, the resulting number of shares released has been adjusted accordingly to reflect the performance level. In respect of the share awards granted in FY 2016 and FY 2017, the respective qualifying performance periods have not ended as at the date of this Report.

CapitaLand Restricted Share Plan 2010

In FY 2017, the ERCC granted awards which are conditional on targets set for a qualifying performance period, currently prescribed to be a one-year performance period. A specified number of shares will only be released to the recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved.

An initial number of shares (baseline award) is allocated according to the following performance conditions:

- Operating Earnings Before Interest and Tax of the Group; and
- Operating ROE of the Group.

The above performance measures have been selected as they are the key drivers of business performance and are aligned to shareholder value. The final number of shares to be released will depend on the achievement of pre-determined targets at the end of the one-year qualifying performance period and the release will be over a vesting period of three years. No share will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more shares than the baseline award can be delivered up to a maximum of 150% of the baseline award. Recipients can receive fully paid shares, their equivalent cash value or combinations thereof, at no cost.

In respect of the award granted in FY 2017, based on the ERCC's assessment that the performance achieved by the Group has met the pre-determined performance targets for the qualifying performance period of FY 2017, the resulting number of shares released has been adjusted accordingly to reflect the performance level.

To further promote the alignment of Management's interests with that of shareholders, the ERCC has approved share ownership guidelines for Senior Management to instill stronger identification by senior executives with the longer term performance and growth of the Group. Under these guidelines, Senior Management participants are required to retain a prescribed proportion of the Company's shares received under the Share Plans.

D. Employee Benefits

The benefits provided are comparable with local market practices.

The Code requires an issuer to disclose the names and remuneration of at least the top five key management personnel (who are not also Directors or the P&GCEO) of the Company.

The details of the remuneration for the P&GCEO are provided in the Directors' Remuneration section on page 49 of this Annual Report. The details of the other top five key management personnel's remuneration in bands of S\$250,000 and a breakdown in percentage terms are provided in the Key Management Personnel's Remuneration section on page 50 of this Annual Report.

The ERCC seeks to ensure that the remuneration paid to the P&GCEO and key management personnel are strongly linked to the achievement of business and individual performance targets. The performance targets endorsed by the ERCC and approved by the Board are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short- and longer-term quantifiable objectives. A pay-for-performance alignment study was conducted by the appointed independent remuneration consultant and reviewed by the ERCC; the findings indicate that there has been adequate pay-for-performance alignment for the Group in both absolute and relative terms against a peer group of large listed companies in Singapore and the region over a multi-year period.

In FY 2017, there were no termination, retirement or post-employment benefits granted to Directors, the P&GCEO and key management personnel. There was also no special retirement plan, 'golden parachute' or special severance package for any of the key management personnel.

There were no employees of the Group who were immediate family members of a Director or the P&GCEO in FY 2017. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

Non-Executive Director Remuneration

The compensation policy for Directors is based on a scale of fees divided into basic retainer fees for serving as Director and additional fees for attendance and serving on Board Committees. The compensation package is market benchmarked, taking into account the demanding responsibilities on the part of the Directors in light of the scale, complexity and the international nature of the business.

The remuneration framework for the non-executive Directors remains unchanged from that for the previous financial year. The fee structure for non-executive Directors for FY 2017 is as follows:

Basic Retainer Fee	
Board Chairman	750,000 ¹
Director	78,000
Fee for appointment to Audit Committee and Finance & Investment Committee	
Committee Chairman	60,000
Committee member	30,000
Fee for appointment to Executive Resource & Compensation Committee and Risk Committee	
Committee Chairman	35,000
Committee member	22,000
Fee for appointment to any other Board Committee	
Committee Chairman	28,000
Committee member	20,000
Attendance fee for Board/Board Committee meetings (per meeting)	
(a) Attendance in person	
<i>Board meeting</i>	
Local	4,000
Overseas	7,000
<i>Board Committee meeting</i>	
Local	2,200
Overseas	7,000
(b) Attendance via conference telephone or similar communication equipment	
Local and Overseas	1,700
Attendance fee in person or otherwise for project committee meetings/verification meetings/other meetings where attendance of Directors is required (per meeting)	
Local and Overseas	1,000

1 The fee is all-inclusive and there will be no separate board retainer fee, committee fee or attendance fee for the Chairman.

CORPORATE GOVERNANCE

Directors' fees of the non-executive Directors (including the Chairman) will be paid as to about 70% in cash and about 30% in the form of share awards under the RSP, save in the case of (i) a Director who is retiring from the Board at the conclusion of the AGM, a Director who has retired from the Board at the conclusion of the last AGM, both of whom will receive all of their Directors' fees in cash; and (ii) a Director whose Director's fees will be paid fully in cash to a government agency, The Directorship & Consultancy Appointments Council. The awards consist of the grant of fully paid shares, with no performance conditions attached and no vesting periods imposed. In order to encourage the alignment of the interests of the non-executive Directors with the interests of shareholders, a non-executive Director is required to hold shares in the Company worth at least one year of his or her basic retainer fee or the total number of shares awarded under the above policy, whichever is lower, at all times during his or her Board tenure. For the Chairman, the shares are required to be held for at least two years from the date of award, and the two-year moratorium shall continue to apply in the event of retirement. Details of the Directors' remuneration are provided in the Directors' Remuneration section on page 49 of this Annual Report. The P&GCEO as Executive Director is remunerated as part of key management personnel and therefore does not receive Director's fees. No individual Director by himself or herself could decide his or her own remuneration. The Directors' fees will only be paid upon approval by the shareholders at the AGM. These measures serve to assure that the independence of the non-executive Directors is not compromised by their compensation.

Compensation Risk Assessment

Under the Code, the compensation system shall take into account the risk policies of the Group, and be symmetrical with risk outcomes and sensitive to the time horizon of risks. The ERCC has conducted a Compensation Risk Assessment to review the various compensation risks that may arise as well as the mitigating policies to better manage risk exposures identified. The ERCC is satisfied that there are adequate risk mitigation features in the Group's compensation system, such as the use of malus, deferral and performance clawback features in the Share Plans and EBIP. The ERCC will continue to undertake periodic reviews of compensation-related risks.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10:
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Company provides shareholders with quarterly and annual financial statements within the relevant periods prescribed by the Listing Manual. These quarterly and annual financial statements are reviewed and approved by the Board prior to release to shareholders by announcement on the SGXNet. The releases of quarterly and annual financial statements are accompanied by news releases issued to the media and which are also posted on the SGXNet. In presenting the quarterly and annual financial statements to shareholders, the Board aims to provide shareholders with a balanced, clear and understandable assessment of the Company and the Group's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a monthly basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of the Group's financial performance, position and prospects.

In addition to quarterly and annual financial statements, the Company also keeps its shareholders, stakeholders and analysts informed of the performance and changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions. The Group has a formal policy on corporate disclosure controls and procedures to ensure that the Company complies with its disclosure obligations under the Listing Manual. These controls and procedures incorporate decision-making procedures and an obligation on internal reporting of decisions made.

The Company believes in conducting itself in ways that seek to deliver maximum sustainable value to its shareholders. Best practices are promoted as a means to build an excellent business for its shareholders and the Company is accountable to shareholders for its performance. Prompt fulfilment of statutory reporting requirements is but one way to maintain shareholders' confidence and trust in the capability and integrity of the Company.

Risk Management and Internal Controls

Principle 11:
The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard shareholders' interests and the Group's assets.

The Board has overall responsibility for the governance of risk, including determining the risk strategy, risk appetite and risk limits, as well as risk policies. The RC assists the Board in carrying out the Board's responsibility of overseeing the Company's risk management framework and policies for the Group.

All RC members, including the Chairman of the RC, are non-executive independent Directors. To facilitate sharing of information and knowledge, four members of the RC are also members of the AC and they are Tan Sri Amirsham A Aziz, Dr Philip Pillai, Mr Chaly Mah and Mr Gabriel Lim. The RC met three times in the year under review.

Under its terms of reference, the RC's scope of duties and responsibilities is as follows:

- (a) making recommendations to the Board on risk strategy, risk appetite and risk limits;
- (b) reviewing the risk management framework, including the processes and resources to identify and manage material risks;
- (c) overseeing Management in the design, implementation and monitoring of the system of risk management and internal controls;
- (d) reviewing the material risks facing the Group and the management of risks thereof;
- (e) reviewing the adequacy and effectiveness of the system of risk management and internal controls covering material risks and the assurance given by Management, as well as the disclosures in the annual report; and
- (f) considering and advising on risk matters referred to it by the Board or Management.

The Company adopts for the Group an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually. A team comprising the P&GCEO and other key management personnel is responsible for directing and monitoring the development, implementation and practice of ERM across the Group.

Management consistently seeks to improve and strengthen its ERM Framework. As part of the ERM Framework, Management, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) annually. As a result of the RCSA, Management produces and maintains

a risk register which identifies the material risks the Group faces and the corresponding internal controls it has in place to mitigate those risks. The RC also reviews the approach of identifying and assessing risks and internal controls in the risk register. The material risks, including the mitigating measures, are reviewed regularly by the RC and, where appropriate, the AC, and reported to the Board.

The system of risk management and internal controls is reviewed and, where appropriate, refined regularly by Management, the RC, the AC and the Board. Where relevant, reference is made to the best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

The Company has established an approach on how risk appetite is defined, monitored and reviewed across the Group. Approved by the Board, the Group Risk Appetite Statement (RAS), incorporating the risk limits, addresses the management of material risks faced by the Group. Alignment of the Group's risk profile to the Group RAS is achieved through various communication and monitoring mechanisms (including key performance indicators set for Management) put in place across the Group.

More information on the Company's ERM Framework can be found in the Enterprise Risk Management section on pages 60 to 63 of this Annual Report.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls addressing financial, operational, compliance and IT risks. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by Management on the recommendations made by the internal and external auditors in this respect.

The Board has received assurance from the P&GCEO and the GCFO that:

- (a) the financial records of the Group have been properly maintained and the financial statements for FY 2017 give a true and fair view of the Group's operations and finances; and
- (b) the system of risk management and internal controls within the Group is adequate and effective to address the financial, operational, compliance and IT risks which the Company considers relevant and material to its current business environment.

CORPORATE GOVERNANCE

The P&GCEO and the GCFO have obtained similar assurances from the respective business and corporate executive heads in the Group.

In addition, in FY 2017, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to shareholders as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the P&GCEO and the GCFO, the Board concurs with the recommendation of the AC and RC and is of the opinion that the system of risk management and internal controls within the Group is adequate and effective to address the financial, operational, compliance and IT risks which the Company considers relevant and material to its current business environment as at 31 December 2017.

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

Audit Committee

Principle 12:

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

All members of the AC, including the Chairman of the AC, are non-executive independent Directors. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains; in particular the Chairman of the AC is a Fellow of the Institute of Singapore Chartered Accountants, among other professional affiliations, and Tan Sri Amirsham A Aziz, another AC member, is a Certified Public Accountant of Malaysia. None of the AC members were previously partners or directors of the incumbent external auditors, KPMG LLP, within the previous 12 months nor does any of the AC members hold any financial interest in KPMG LLP.

The AC has explicit authority to investigate any matter within its terms of reference. Management is required to provide the fullest co-operation in providing information

and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the AC.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) in conjunction with the assessment by the RC, assessing the adequacy and effectiveness of the internal controls (including material financial, operational, compliance and IT controls) and risk management system;
- (c) reviewing the adequacy and effectiveness of the Company's internal audit function and also ensures that the internal audit function is adequately resourced and has appropriate standing within the Company;
- (d) reviewing the scope and results of the external audit, and independence and objectivity of the external auditors;
- (e) making recommendations to the Board on the proposals to the shareholders on the appointment, reappointment and removal of the external auditors, and approving the remuneration of the external auditors;
- (f) reviewing and approving processes to regulate interested person transactions and to ensure compliance with the applicable regulations, in particular, the requirement that the transactions are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders; and
- (g) reviewing the whistleblowing policy and arrangements by which employees of the Company and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

In order to maintain the independence of the external auditors, the Company has developed policies regarding the types of non-audit services that the external auditors can provide to the Group and the related approval processes. The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2017 and

the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The total audit and non-audit fees for FY 2017 were S\$7,720,000 and S\$1,677,000, respectively.

In FY 2017, the AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions

issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

In its review of the financial statements of the Group and the Company for FY 2017, the AC had discussed with Management the accounting principles that were applied and their judgement of items that could affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, the following key audit matters as reported by the external auditors for the financial year ended 31 December 2017.

Key audit matters	How these issues were addressed by the AC
Valuation of investment properties	<p>The AC reviewed the outcomes of the half-yearly valuation process and discussed the details of the valuation with Management, focusing on properties which registered higher fair value gains/losses during the period under review and key drivers for the changes.</p> <p>The AC considered the findings of the external auditors, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation of investment properties.</p> <p>The AC was satisfied with the valuation process, the methodologies used and the valuation for investment properties as adopted and disclosed in the financial statements.</p>
Implementation of new IT system	<p>Management updated the board on the progress of new IT system implementation quarterly, focusing on project scope and governance, change management activities, risks and mitigation actions.</p> <p>The AC also considered the findings of the external auditors, including their assessment of the adequacy of the processes and control in place for the implementation of new IT system, as well as the results of their independent validation of the account balances being migrated and review of the reconciliation and mitigating controls.</p> <p>The AC was satisfied with the Group's processes and project governance over the implementation of new IT system.</p>
Accounting for investments in real estate investment trusts (REITs)	<p>The AC reviewed the Group's processes for the review and determination of the accounting for its investments in REITs.</p> <p>Management briefed the Board on the plans for the investments in REITs. Management also presented to the AC the methodology used in determining the aggregate economic interests held in the REITs, the results and the basis of its conclusion, focusing on the Group's investment in CMT and CRCT which led to the Group concluding that it now has control over these two REITs.</p> <p>The AC also considered the findings of the external auditors, including the Group's processes for the review and the determination of the accounting for its investments in REITs.</p> <p>The AC was satisfied with the appropriateness of accounting and disclosures in the financial statements for the Group's investments in REITs.</p>

CORPORATE GOVERNANCE

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC at its meetings. Directors are also invited to attend relevant seminars on changes to accounting standards and issues by leading accounting firms.

The Company confirms that it complies with Rules 712, 715 and 716 of the Listing Manual.

Internal Audit

Principle 13:
The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Company has an Internal Audit Department (CL IA) which reports directly to the AC and administratively to the GCFO. The performance evaluation of the head of CL IA is carried out by the AC with inputs from the GCFO. The AC is of the view that the internal audit function performed by CL IA is adequately resourced and has appropriate standing within the Company. CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. The AC also meets with CL IA at least once a year without the presence of Management. CL IA has unfettered access to the Group's documents, records, properties and employees, including access to the AC.

CL IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the United States of America (USA). CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA, and has incorporated these Standards into its audit practices.

To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CL IA staff who are involved in IT audits are Certified Information System Auditors and members of the Information System Audit and Control Association (ISACA) in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits.

CL IA identifies and provides training and development opportunities for its staff to ensure their technical knowledge and skill sets remain current and relevant.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14:
Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company is committed to treating all its shareholders fairly and equitably. All shareholders enjoy specific rights under the Constitution and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate shareholder, through its appointed representative). Shareholders such as nominee companies which provide custodial services for securities are not constrained by the two proxy limitation, and are able to appoint more than two proxies to attend, speak and vote at general meetings of the Company.

Communication with Shareholders

Principle 15:
Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company is committed to keeping all its shareholders and other stakeholders and analysts informed of its performance and any changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities, on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions.

The Company has in place an Investor Relations department and a Group Communications department which facilitate effective communication with the Company's shareholders, analysts, fund managers and the media.

The Company actively engages with its shareholders and has put in place an Investor Relations Policy (Policy) to promote regular, effective and fair communications with its shareholders. The Policy is available at the Group's website at www.capitaland.com.

The Group has a formal policy on corporate disclosure controls and procedures to ensure that the Company complies with its disclosure obligations under the Listing Manual.

More information on the Company's investor and media relations with shareholders can be found in the Investor & Media Relations section on pages 64 to 67 of this Annual Report.

The Company has a policy on the payment of dividends. Barring unforeseen circumstances, the Company's policy is to declare a dividend of at least 30% of the annual profit after tax and non-controlling interests excluding unrealised revaluation gains or losses as well as impairment charges or write backs. Upon approval by shareholders at the general meeting, dividends are paid within 15 market days of the record date.

Conduct of Shareholder Meetings

Principle 16:
Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company supports the principle of encouraging shareholder participation and voting at general meetings. Shareholders may download the Annual Report (printed copies are available upon request) and notice of the general meeting from the Company's website at www.capitaland.com. Notices of the general meetings are also advertised in the press and issued on SGXNet. The requisite notice period for a general meeting is adhered to. All shareholders are given the opportunity to participate effectively in and vote at general meetings.

At general meetings, shareholders are encouraged to communicate their views and discuss with the Board and Management matters affecting the Company. All Directors (including the Chairpersons of the respective Board Committees), Management and the external auditors, would be present at general meetings to address any queries that the shareholders may have. All Directors attended the last general meeting. A record of the Directors' attendance of the last general meeting held on 24 April 2017 can be found in the record of their attendance of Board and Board Committee meetings set out on page 48 of this Annual Report.

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect shareholders' interests, the Company conducts electronic poll voting for all the resolutions proposed at the general meetings. Voting procedures are explained and vote tabulations are disclosed at the general meetings. An independent scrutineer is also appointed to validate the vote tabulation procedures. Votes

cast, for or against and the respective percentages, on each resolution are tallied and displayed 'live' on-screen to shareholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings. Voting in absentia and by email, which are currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Minutes of the general meetings, recording the substantial and relevant comments made and questions raised, are prepared and are available to shareholders for their inspection upon request. Since 2015, minutes of the AGMs are also uploaded to the Company's website at www.capitaland.com.

Shareholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting the Company after the general meetings.

(E) ADDITIONAL INFORMATION

Dealings in Securities

The Company has devised and adopted a securities dealing policy for the Group's officers and employees which applies the best practice recommendations in the Listing Manual. Under the policy, Directors and employees in the Group are required to refrain from dealing in the Company's securities (i) while in possession of material unpublished price-sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of the Company's financial statements for each of the first three quarters of its financial year and, (iii) during the one month immediately preceding, and up to the time of the announcement of the Company's financial statements for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Group to inform them of the duration of the period.

Directors and employees of the Group are also required to refrain from dealing in securities of the Company and/or other relevant listed entities in the Group if they are in possession of unpublished price-sensitive information of the Company and/or these other listed entities by virtue of their status as Directors and/or employees. As and when appropriate, they would be issued an advisory to refrain from dealing in the relevant securities.

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Under the policy, Directors and employees are also discouraged from trading on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

Code of Business Conduct

The Company adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published on the Company's Intranet, which is accessible by all employees.

The policies the Company has implemented aim to help to detect and prevent occupational fraud in mainly three ways.

First, the Company offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Company also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees face.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Company seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

Bribery and Corruption Prevention Policy

The Company adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Group are required to make a declaration on an annual basis where they pledge to uphold the Company's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings. The Company's stance against bribery and corruption is also reiterated by Management during its regular staff communication sessions.

The Company's zero tolerance policy towards bribery and corruption extends to its business dealings with third parties. Pursuant to this policy, the Company requires that certain agreements of the Group incorporate anti-bribery and anti-corruption provisions.

Whistle-Blowing Policy

A whistle-blowing policy and other procedures are put in place to provide the Group's employees and parties who have dealings with the Group with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters – that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the extent possible, be protected from reprisal.

Composition Of Board And Board Committees In 2017

Board Members	Audit Committee	Executive Resource and Compensation Committee	Finance and Investment Committee	Nominating Committee	Risk Committee
Ng Kee Choe		C	C	M	
John Powell Morschel			M	M	
Simon Claude Israel ¹		M	M	M	
Euleen Goh Yiu Kiang			M		M
Tan Sri Amirsham A Aziz	M				C
Stephen Lee Ching Yen		M		C	
Dr Philip Nalliah Pillai	M				M
Kee Teck Koon		M	M		
Chaly Mah Chee Kheong ²	C				M
Anthony Lim Weng Kin ³			M		
Gabriel Lim Meng Liang ⁴	M				M
Goh Swee Chen ⁵		M			

Denotes: C – Chairman M – Member

Notes:

- 1 Stepped down as a Director; and a Member of the Finance and Investment Committee (FIC), the Executive Resource and Compensation Committee (ERCC) and the Nominating Committee at the conclusion of the last AGM held on 24 April 2017.
- 2 Appointed as a Director on 1 February 2017; and Chairman of the Audit Committee (AC) and a Member of the Risk Committee (RC) on 26 April 2017.
- 3 Appointed as a Director on 11 August 2017; and a Member of the FIC on 15 September 2017.
- 4 Appointed as a Director on 11 August 2017; a Member of the RC on 15 September 2017 and a Member of the AC on 5 December 2017.
- 5 Appointed as a Director on 1 September 2017; and a Member of the ERCC on 15 September 2017.

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Attendance Record Of Meetings Of The Board And Board Committees in 2017

	Board	Audit Committee	Executive Resource and Compensation Committee	Finance and Investment Committee	Nominating Committee	Risk Committee	AGM
No. of Meetings Held	6	4	4	8	2	3	1
Board Members							
Ng Kee Choe	6 out of 6	-	4 out of 4	8 out of 8	2 out of 2	-	1 out of 1
Lim Ming Yan ¹	6 out of 6	-	-	-	-	-	1 out of 1
John Powell Morschel	6 out of 6	-	-	8 out of 8	2 out of 2	-	1 out of 1
Euleen Goh Yiu Kiang ²	6 out of 6	2 out of 2	-	6 out of 6	-	3 out of 3	1 out of 1
Tan Sri Amirsham Bin A Aziz	6 out of 6	4 out of 4	-	-	-	3 out of 3	1 out of 1
Stephen Lee Ching Yen	6 out of 6	-	4 out of 4	-	2 out of 2	-	1 out of 1
Dr Philip Nalliah Pillai	6 out of 6	4 out of 4	-	-	-	3 out of 3	1 out of 1
Kee Teck Koon ³	5 out of 6	-	2 out of 2	8 out of 8	-	1 out of 1	1 out of 1
Simon Claude Israel ⁴	1 out of 1	-	2 out of 2	2 out of 2	1 out of 1	-	1 out of 1
Chaly Mah Chee Kheong ⁵	6 out of 6	2 out of 2	-	-	-	2 out of 2	1 out of 1
Anthony Lim Weng Kin ⁶	3 out of 3	-	-	1 out of 1	-	-	-
Gabriel Lim Meng Liang ⁷	3 out of 3	-	-	-	-	-	-
Goh Swee Chen ⁸	2 out of 3	-	0 out of 1	-	-	-	-

Notes:

- 1 Attended all Board committee meetings on ex-officio basis.
- 2 Stepped down as Chairman of the Audit Committee (AC) and appointed as a Member of the Finance and Investment Committee (FIC) on 26 April 2017.
- 3 Stepped down as a Member of the Risk Committee (RC) and appointed as a Member of the Executive Resource and Compensation Committee (ERCC) on 26 April 2017.
- 4 Stepped down as a Director; and a Member of the FIC, the ERCC and the Nominating Committee at the conclusion of the last AGM held on 24 April 2017.
- 5 Appointed as a Director on 1 February 2017; and Chairman of the AC and a Member of the RC on 26 April 2017.
- 6 Appointed as a Director on 11 August 2017; and a Member of the FIC on 15 September 2017.
- 7 Appointed as a Director on 11 August 2017; a Member of the RC on 15 September 2017 and a Member of the AC on 5 December 2017.
- 8 Appointed as a Director on 1 September 2017; and a Member of the ERCC on 15 September 2017.

Directors' Remuneration Table for the Financial Year Ended 31 December 2017

Directors of the Company	Salary inclusive of AWS and employer's CPF	Bonus and other benefits inclusive of employer's CPF ¹	Awards of shares ²	Directors' fees ³		Total
				Cash Component	Shares component	
	\$	\$	\$	\$	\$	\$
Payable by Company:						
Executive Director						
Lim Ming Yan	1,153,890	2,726,606	2,138,570	-	-	6,019,066
Sub-Total 1	1,153,890	2,726,606	2,138,570	-	-	6,019,066
Non-Executive Directors						
Ng Kee Choe	-	-	-	525,000	225,000	750,000
John Powell Morschel ³	-	-	-	197,600	-	197,600
Simon Claude Israel ³	-	-	-	61,851	-	61,851
Euleen Goh Yiu Kiang	-	-	-	131,357	56,296	187,653
Tan Sri Amirsham A Aziz	-	-	-	163,800	70,200	234,000
Stephen Lee Ching Yen	-	-	-	113,527	48,654	162,181
Dr Philip Nalliah Pillai	-	-	-	118,580	50,820	169,400
Kee Teck Koon	-	-	-	121,941	52,260	174,201
Chaly Mah Chee Kheong	-	-	-	112,239	48,102	160,341
Anthony Lim Weng Kin	-	-	-	47,205	20,231	67,436
Gabriel Lim Meng Liang ³	-	-	-	51,289	-	51,289
Goh Swee Chen	-	-	-	28,407	12,175	40,582
Sub-Total 2	-	-	-	1,672,796	583,738	2,256,534
Total for Directors of the Company	1,153,890	2,726,606	2,138,570	2,256,534	583,738	8,275,600

Notes:

- The amounts disclosed include bonuses earned under the EBIP and the other incentive plans which have been accrued for in FY 2017. Under the EBIP, EVA bonus declared during the year is added to the bonus account and one-third of the accumulated balance in the bonus account will be paid out in cash annually with the remaining two-thirds to be carried forward to the following year; any negative EVA bonus declared will result in an offset against the current EVA bonus balance.
- For FY 2017, contingent awards of shares under the Share Plans were granted to Mr Lim Ming Yan. The final number of shares to be released under these awards will depend on the achievement of pre-determined targets over the respective performance periods and vesting periods under the Share Plans. The share awards disclosed are based on the fair value of the shares comprised in the contingent awards at the time of grant. There was no contingent award of RSP or PSP to the other Directors.
- If approved, the aggregate amount of Directors' fees of S\$2,256,534 will be paid as to S\$1,672,796 in cash, and S\$583,738 in the form of share awards under the RSP with any residual balance to be paid in cash. Directors' fees of the non-executive Directors (including the Chairman) will be paid as to about 70% in cash and about 30% in the form of share awards under the RSP, save in the case of (i) Mr John Powell Morschel (who is retiring from the Board at the conclusion of the AGM), and Mr Simon Claude Israel (who has retired from the Board at the conclusion of the last AGM), both of whom will receive all of their Directors' fees in cash; and (ii) Mr Gabriel Lim Meng Liang whose Director's fees will be paid fully in cash to a government agency, The Directorship & Consultancy Appointments Council. The actual number of shares to be awarded will be based on the volume-weighted average price of a share of the Company on the SGX-ST over the 14 trading days from (and including) the ex-dividend date following the AGM. The actual number of shares to be awarded will be rounded down to the nearest share, and any residual balance settled in cash. The awards will consist of the grant of fully paid shares, with no performance conditions attached and no vesting periods imposed, although a share retention policy applies. The Directors' fees will only be paid upon approval by shareholders at the AGM.

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KEY MANAGEMENT PERSONNEL'S REMUNERATION

Key Management Personnel's Remuneration Table for the Financial Year Ended 31 December 2017

Total Remuneration Bands	Salary inclusive of AWS and employer's CPF	Bonus and other benefits inclusive of employer's CPF ¹	Award of Shares ²	Total
Above S\$6,000,000 to S\$6,250,000				
Lim Ming Yan	19%	45%	36%	100%
Above S\$3,000,000 to S\$3,250,000				
Lee Chee Koon	24%	42%	34%	100%
Jason Leow Juan Thong	27%	40%	33%	100%
Lucas Ignatius Loh Jen Yuh ³	24%	42%	34%	100%
Above S\$2,250,000 to S\$2,500,000				
Andrew Geoffrey Lim Cho Pin	23%	40%	37%	100%
Tan Seng Chai	27%	35%	38%	100%
Total				S\$20,044,732

Notes:

- The amounts disclosed include the bonuses earned under the EBIP and the other incentive plans which have been accrued for in FY 2017. Under the EBIP, EVA bonus declared during the year is added to the bonus account and one-third of the accumulated balance in the bonus account will be paid out in cash annually with the remaining two-thirds to be carried forward to the following year; any negative EVA bonus declared will result in an offset against the current EVA bonus account balance.
- The share awards are based on the fair value of the shares comprised in the contingent awards under the Share Plans at the time of grant. The final number of shares released under the contingent awards of shares for RSP and PSP will depend on the achievement of pre-determined targets and subject to the respective vesting period under RSP and PSP.
- The amount disclosed excludes overseas posting allowances and benefits of approximately S\$255,000.

CODE OF CORPORATE GOVERNANCE 2012

Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
General	<p>(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.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p>	<p>Yes.</p> <p>Where there are deviations from any of the guidelines of the Code, an explanation has been provided within the Annual Report.</p>

Board Responsibility

Guideline 1.5	<p>What are the types of material transactions which require approval from the Board?</p>	<p>The specific matters which are reserved for the Board's approval include:</p> <ul style="list-style-type: none"> (a) strategies and objectives; (b) financial plan; (c) share issuances, dividends and other returns to shareholders; (d) corporate and financial restructuring, mergers, major acquisitions and divestments; (e) risk appetite of the Company; (f) sustainability issues; (g) the overall remuneration policy and compensation package for the P&GCEO; and (h) matters which involve a conflict of interest for a substantial shareholder or a Director.
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Guideline	Questions	How has the Company complied?
Members of the Board		
Guideline 2.6	<p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(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.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p>	<p>The Board has established the NC, which makes recommendations to the Board on all appointments to the Board and Board Committees. The NC carries out a proactive review of the Board composition at least annually as well as on each occasion that an existing non-executive Director gives notice of his or her intention to retire or resign. The review includes assessing the collective skills of non-executive Directors represented on the Board to determine whether the Board, as a whole, has the skills required to achieve the Group's strategic and operational objectives.</p> <p>The outcome of that assessment is reported to the Board. In carrying out this review, the NC takes into account the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity). The NC also identifies suitable candidates for appointment to the Board. External consultants may be retained from time to time to access a wide base of potential non-executive Directors. Those considered will be assessed against a range of criteria including background, experience, professional skills and personal qualities including integrity, reputation as well as expected contributions to the highest standards of corporate governance. The NC and the Board will also consider whether a candidate's skills and experience will complement the existing Board, and whether the candidate has sufficient time available to commit to his or her responsibilities as a Director.</p> <p>The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, legal, investment, accounting, and technology backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable Management to benefit from their respective expertise and diverse backgrounds. The Board also considers gender an important aspect of diversity alongside factors such as the age, ethnicity and educational, business and professional background of its members. The Board is committed to diversity and will continue to consider the differences in the skillsets, gender, age, ethnicity and educational, business and professional background in determining the optimal composition of the Board in its Board renewal process.</p>

Guideline	Questions	How has the Company complied?
Members of the Board		
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.	With regard to the reelection of existing Directors each year, the NC advises the Board of those Directors who are retiring or due for consideration to retire in accordance with the provisions of the Constitution. The NC makes recommendations to the Board as to whether the Board should support the reelection of a Director who is retiring and, for this purpose, undertakes a process of review of the retiring non-executive Director's performance during the period in which the non-executive Director has been a member of the Board.
Guideline 1.6	<p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p>	<p>Yes. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a Director). All Directors upon appointment also undergo an induction programme which focuses on orientating the Director to the Company's business, operations, strategies, organisation structure, responsibilities of key management personnel, and financial and governance practices.</p> <p>Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards, and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members.</p>
Guideline 4.4	<p>(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?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p>	<p>The Board does not prescribe any maximum number of listed company board representations.</p> <p>In view of the responsibilities of a Director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A Director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Company.</p> <p>All Directors are required to confirm on an annual basis, and for FY 2017, have confirmed that they were able to devote sufficient time and attention to the affairs of the Company. The NC has assessed each Director's ability to commit time to the affairs of the Company, taking into consideration also their commitments and their attendance record at meetings of the Board and Board Committees (the attendance record for FY 2017 is set out on page 48 of this Annual Report), and has determined that each Director has been adequately carrying out his or her duties as a Director of the Company.</p> <p>The Board, taking into consideration the assessment of the NC, is satisfied that each Director can devote sufficient time and attention to the affairs of the Company.</p>

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Guideline	Questions	How has the Company complied?
Board Evaluation		
Guideline 5.1	<p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p>	<p>The NC undertakes a process to evaluate the effectiveness of the Board as a whole and the Board Committees for every financial year. An external consultant is engaged to facilitate the evaluation process. As part of the process, questionnaires were sent by the consultant to the Directors and Management. The objective of the interviews is to seek clarifications to the feedback obtained from the responses in the questionnaires, during which broader questions might also be raised to help validate certain survey findings.</p> <p>The findings are then evaluated by the consultant and reported, together with the recommendations of the consultant, to the Board. The findings and recommendations of the consultant which include benchmarking information and best practices of other boards, are considered by the Board and any necessary follow up action is taken, where necessary.</p>
Independence of Directors		
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. The Board comprises 12 Directors, 11 of whom are non-executive independent Directors.
Guideline 2.3	<p>(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.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	Yes, please refer to pages 30 to 32 for details and information on the Board's determination process for considering those Directors as being independent.

Guideline	Questions	How has the Company complied?
Independence of Directors		
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.	No.
Disclosure on Remuneration		
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.
Guideline 9.3	<p>(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?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p>	<p>Yes.</p> <p>The aggregate remuneration paid to the aforesaid key management personnel is S\$14,025,666 (excluding the P&GCEO).</p>

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Guideline	Questions	How has the Company complied?
Disclosure on 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.	No.
Guideline 9.6	<p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p>	<p>The remuneration paid to the P&GCEO and key management personnel is strongly linked to the achievement of business and individual performance targets.</p> <p>Remuneration for key management personnel comprises fixed components, variable cash components, share-based components and employee benefits.</p> <p>The variable cash components are short-term incentives which are based on a balanced set of financial and non-financial performance targets in the dimensions of Financial, Execution, Growth and People.</p> <p>The share-based components are long-term incentives which are the grant of share awards under the Share Plans. Shares will only be released on the achievement of financial and shareholder return targets.</p> <p>Overall, the performance targets were met, with the exception of shareholder return targets which were affected by adverse share price movements.</p>

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
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?	<p>At each Board meeting, the Chairperson of each Board Committee provides an update on the significant matters discussed at the Board Committee meetings, the P&GCEO provides updates on the Group's business and operations and the GCFO presents the financial performance. Presentations in relation to specific business areas are also made by senior executives and external consultants or experts. This allows the Board to develop a good understanding of the progress of the Group's business as well as the issues and challenges facing the Group, and also promotes active engagement with the key executives of the Group.</p> <p>As a general rule, Board papers are sent to Board or Board Committee members at least five working days prior to each Board or Board Committee meeting to allow them to prepare for the meetings and to enable discussions to focus on any questions that they may have.</p> <p>The Board has separate and independent access to Management, including the Company Secretary, at all times. The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, at the Company's expense.</p> <p>Through the training framework adopted for the professional development of the Directors, Directors also receive on a regular basis reading materials on topical matters or subjects and regulatory updates and implications. In addition, where appropriate, briefings from industry players or consultants are also arranged.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes.

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Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 11.3	<p>(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 system.</p> <p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor 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?</p>	<p>The Company has in place an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and IT risks to safeguard shareholders' interests and the Group's assets.</p> <p>The Group adopts an ERM Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually. A team comprising the P&GCEO and other key management personnel is responsible for directing and monitoring the development, implementation and practice of ERM across the Group.</p> <p>As part of the ERM Framework, Management, among other things, undertakes and performs a RCSA annually. As a result of the RCSA, Management produces and maintains a risk register which identifies the material risks the Group faces and the corresponding internal controls it has in place to mitigate those risks.</p> <p>More information on the Company's ERM Framework can be found in the Enterprise Risk Management section on pages 60 to 63 of this Annual Report.</p> <p>The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls addressing financial, operational, compliance and IT risks. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by Management on the recommendations made by the internal and external auditors in this respect.</p> <p>The Board has received the requisite assurance from the P&GCEO and the GCFO.</p>

Guideline	Questions	How has the Company complied?
Risk Management and Internal Controls		
Guideline 12.6	<p>(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.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>Total audit fees for FY 2017 – S\$7,720,000 Total non-audit fees for FY 2017 – S\$1,677,000</p> <p>Please refer to page 202 of this Annual Report for more details.</p> <p>In order to maintain the independence of the external auditors, the Company has developed policies regarding the types of non-audit services that the external auditors can provide to the Group and the related approval processes. The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2017 and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC.</p>
Communication with Shareholders		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNet announcements and the annual report?</p>	<p>Yes, the Company is committed to keeping all its shareholders and other stakeholders and analysts informed of its performance and any changes in the Group or its business which would be likely to materially affect the price or value of the Company's securities, on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions.</p> <p>The Company has in place an Investor Relations department and a Group Communications department which facilitate effective communication with the Company's shareholders, analysts, fund managers and the media.</p> <p>More information on the Company's investor and media relations with shareholders can be found in the Investor & Media Relations section on pages 64 to 67 of this Annual Report.</p>
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	N.A.

ENTERPRISE RISK MANAGEMENT

Risk management is an integral part of CapitaLand's business at both the strategic and operational levels. A proactive approach towards risk management supports the achievement of the Group's business objectives and corporate strategy of ONE CapitaLand, hence creating and preserving value.

The Group recognises that risk management is just as much about opportunities as it is about threats. To capitalise on opportunities, the Group has to take measured risks. Risk management is not about pursuing risk minimisation as a goal, but rather optimising the risk-reward relationship within known and agreed risk appetite levels. The Group therefore takes risks in a prudent manner for justifiable business reasons.

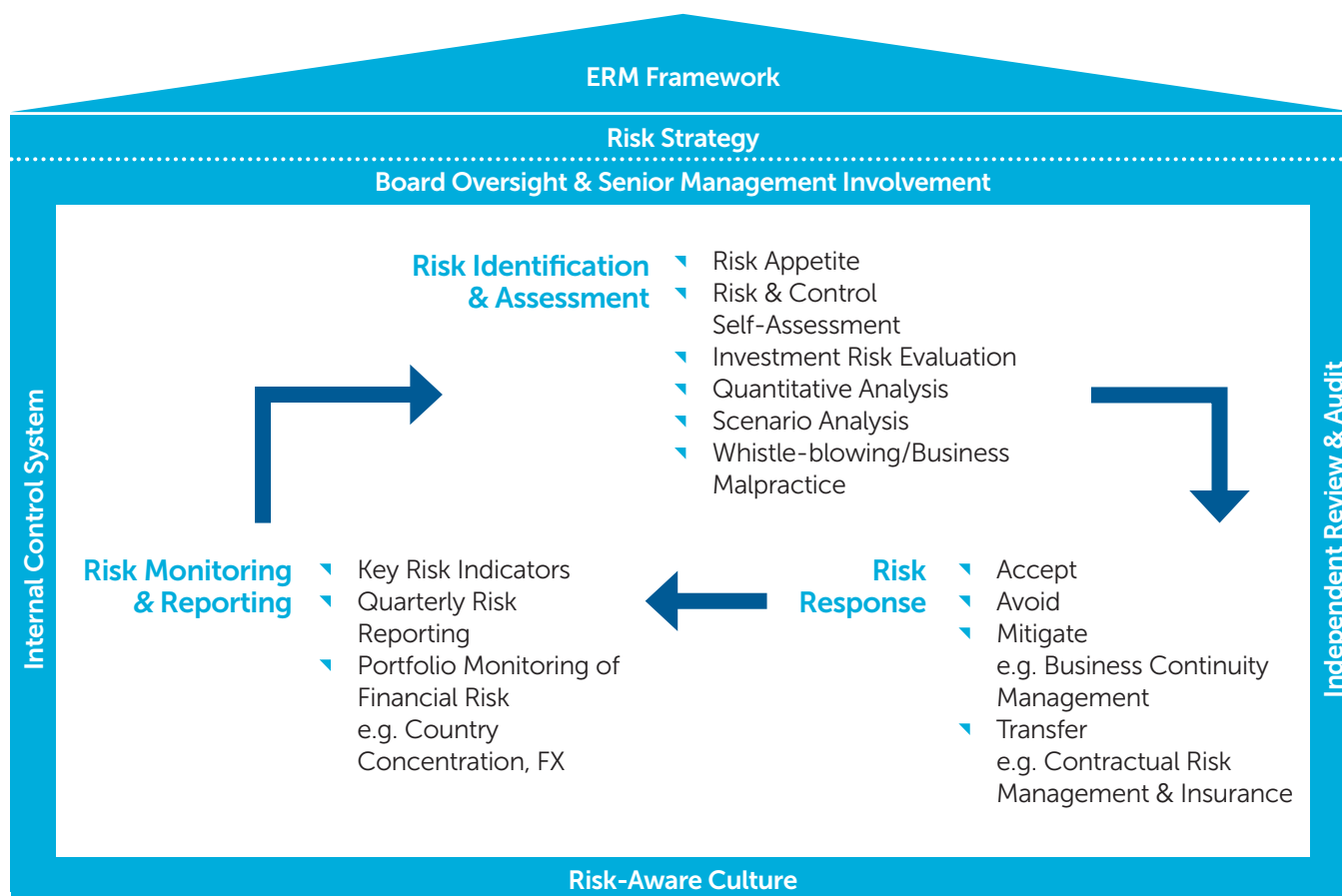
The Board of Directors is responsible for the governance of risk across the Group. The responsibilities include determining the Group's risk appetite; overseeing the Group's Enterprise Risk Management (ERM) Framework; regularly reviewing the Group's risk profile, material risks and mitigation strategies; and ensuring the adequacy and effectiveness of the risk management framework and policies. For these purposes, it is assisted by the Risk Committee (RC), established in 2002, which provides dedicated oversight of risk management at the Board level, including ad-hoc risk matters referred to it by the Board such as the implementation of Enterprise Resource Planning (ERP) system.

The RC currently comprises five independent Board members and the committee meets on a regular basis. The meetings are attended by the President & Group CEO as well as other key management staff. The RC is assisted by the Risk Assessment Group (RAG), a dedicated and independent in-house unit comprising highly specialised and professional members with vast and diverse experiences in financial and operational risk management.

The Board approves the Group's risk appetite, which determines the nature and extent of material risks that the Group is willing to take to achieve its strategic and business objectives. The Group's Risk Appetite Statement (RAS) is expressed via formal, high-level and overarching statements and accompanying risk limits which determine specific risk boundaries established at an operational level. Having considered the interest of key stakeholders, the RAS sets out explicit and forward-looking views of the Group's desired risk profile and ensures it is aligned with the Group's strategy and business plans.

A team comprising the President & Group CEO and other key management personnel is responsible for directing and monitoring the development, implementation and practice of ERM across the Group. Operationally, risk champions from the different Strategic Business Units (SBUs) and corporate functions, as well as various specialist support functions, are tasked to develop, implement and monitor risk management policies, methodologies and procedures in their respective areas.

Enterprise Risk Management Framework



The Group’s ERM Framework is adapted from the International Organization for Standardization (ISO) 31000 International Risk Management Standards. It also takes reference from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control-Integrated Framework and other relevant best practices and guidelines. It sets out the required environmental and organisational components which enable the Group to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually and have been validated by external consultants.

A robust internal control system and an effective, independent review and audit process are the twin pillars that underpin the Group’s ERM Framework. While

the line management is responsible for the design and implementation of effective internal controls using a risk-based approach, the Internal Audit function reviews such design and implementation to provide reasonable assurance to the Audit Committee (AC) on the adequacy and effectiveness of the internal control system.

CapitaLand believes that having the right risk culture and people with the right attitude, values and knowledge are fundamental to the Group’s success of ERM. Therefore, the RAG continues to proactively enhance risk management knowledge by conducting regular workshops for all levels and functions, and to promote a culture of risk awareness which embeds risk management principles in decision-making and business processes.

ENTERPRISE RISK MANAGEMENT

Annually, the RAG facilitates and coordinates the Group-wide Risk and Control Self-Assessment (RCSA) exercise that requires SBUs and corporate functions to proactively identify, assess and document material risks as well as the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed at the Group level before they are presented to the RC, AC and the Board.

MANAGING MATERIAL RISKS

CapitaLand undertakes an iterative and comprehensive approach to identifying, managing, monitoring and reporting material risks across the Group. These material risks include:

Competition Risk

The Group faces keen competition from established players and new market entrants in the real estate industry. It adopts a relentless approach to strengthening its competitiveness through high-quality products and services, product differentiation, pricing, asset enhancement initiatives and branding. The Group also promotes tenant and customer loyalty through customer-centric initiatives and shopper loyalty programmes. A team of in-house experts provides regular analysis on market trends. Innovation workshops are also conducted regularly to brainstorm ideas to anticipate as well as respond to these trends.

Economic Risk

CapitaLand is exposed to developments in major economies, and key financial and property markets. These developments may reduce revenue, increase costs and result in downward revaluation of our assets. Market illiquidity during a financial crisis makes asset divestment challenging and this can affect CapitaLand's investment and strategic objectives. The Group manages this by adopting a disciplined approach to financial management, having a diversified portfolio across geographies with established Board-approved country concentration limits, and focusing on cities where the Group has operational scale and where underlying economic fundamentals are more robust. A team of in-house experts monitors the macroeconomic environment and advises senior management on future macroeconomic trends and their implications on the property markets. Scenario analysis is performed to calculate potential value deteriorations by applying an in-house developed Value-at-Risk (VaR) model.

Climate Change Risks

CapitaLand recognises the importance of managing climate change faced in its development projects and operations. This includes physical risks such as rising sea levels, flash floods, fresh water depletion, violent storms, intense heat waves, as well as changes in government regulations and other climate related developments. With the Paris Agreement which came into force in November 2016, countries are undertaking actions to mitigate climate change where more stringent regulations are expected. CapitaLand is positioned to face such challenges and is constantly reviewing its mitigation and adaptation efforts which include a target to achieve green certification of its existing properties by FY 2030. CapitaLand is also ISO 14001 certified for its environmental management system in 15 countries and sets energy, water and carbon emission intensity targets for its operational properties.

Safety, Health & Well-being Risks

CapitaLand recognises the importance of managing safety, health and well-being risks faced in its development projects and operations. The Group also understands the positive impact that a safe and healthy building and workplace can have on its tenants, residents, shoppers, public and staff. It implemented an EHS Management System which has achieved the Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries.

Financial Risk

Given the Group's diversified global business, CapitaLand is exposed to financial risks including liquidity, foreign currency and interest rate risks. The Group measures and evaluates these financial risks using established statistical risk management models (e.g. VaR, stress testing and scenario analysis). It continues to focus on instilling financial discipline, deploying capital to earn optimal risk-adjusted returns, and maintaining a strong balance sheet to invest in suitable opportunities. For more information on the Group's Financial Risk Management, please refer to the Financial Risk Management section on Pg 210 of this annual report.

Fraud & Corruption Risk

CapitaLand is committed to the highest standards of integrity and this is enshrined as one of its core values. The Group has zero tolerance for any fraud, corruption or bribery in the conduct of its business activities. Consistent with this commitment, the Group has in place various policies

and guidelines, including an employee code of conduct and an anti-corruption policy. The anti-corruption policy reiterates the tone from the top and sets out CapitaLand's Global Principles on Ethical Business Conduct. Every year, employees sign the CapitaLand Pledge to renew their commitment to uphold the Group's core values. CapitaLand also has a whistle-blowing policy to encourage the reporting of suspected misconduct by establishing a clearly defined process through which such reports can be made in confidence and in good faith, without fear of reprisal.

Information Technology Risk

With increased reliance on Information Technology (IT) as a business enabler, CapitaLand has in place Group-wide policies and procedures which set out the governance and controls of IT risks, including cyber-risks. Appropriate measures are in place to ensure the confidentiality, integrity, and availability of CapitaLand's information assets. This includes implementing access controls, building up data security, raising employees' IT security awareness through activities such as phishing campaigns, and conducting IT disaster recovery exercise annually to ensure business recovery objectives are met.

Investment & Divestment Risk

At the project level, an independent risk evaluation (for projects above a stipulated investment value threshold) is conducted by the RAG to ensure that all material risks are identified and quantified. The risks of each proposal are highlighted and all parameters are benchmarked against objective market indicators and historical projects undertaken by the Group. If necessary, risk mitigating measures are proposed. To ensure that the potential returns of new investments commensurate with the risks undertaken, the weighted average cost of capital and hurdle rates for various countries and business units are computed and adopted as investment benchmarks. They are reviewed annually and, where necessary, adjusted to reflect corresponding changes in business risks and capital costs of investments. This seeks to ensure that CapitaLand's investment portfolios create value for its stakeholders on a risk-adjusted basis. Projects under development are tracked for progress update and monitored for investment performance.

Political & Policy Risk

Given the geographical diversity of its business, CapitaLand is exposed to various levels of political and policy risks such as political leadership uncertainty, inconsistency in public policies, social unrest, change in property-related regulations etc. Such risks may threaten the economic and sociopolitical environment which may, in turn, affect the financial viability of the Group's investments. To mitigate these risks, overseas operations are managed by experienced managers and teams who are familiar with the local conditions and cultures. Risk analysis is performed to study political climate changes in establishing the respective country limits on an annual basis.

Project Management Risk

The Group adopts a rigorous project management process to ensure that project cost, quality and time objectives are met. There are stringent pre-qualification procedures to appoint well-qualified vendors. Key criteria such as vendors' track records and financial performances are assessed. Regular site visits are conducted to closely monitor the progress of projects and manage potential risks of delays, poor workmanship and cost overruns. In-house teams comprising experienced technical staff provide guidance and independent audit checks on quality of architectural design, mechanical and engineering detailing, and safety.

Regulatory & Compliance Risk

CapitaLand has global operations and is subject to the local laws and regulations of the markets it operates in. These include applicable listing, data privacy and anti-corruption laws and regulations. The Group has in place a framework that proactively identifies applicable laws and regulatory obligations, and embeds compliance into the day-to-day operations.