

# CORPORATE GOVERNANCE

## INTRODUCTION

The Company recognises the importance of adhering to sound governance practices and processes to enhance shareholder value and is committed to upholding the standards set out in the Code of Corporate Governance 2018 (the "Code") issued by the Monetary Authority of Singapore on 6 August 2018. This report describes the Company's corporate governance framework and practices that the Group has adopted with reference to the Code. The Company has complied in all material aspects with the principles and guidelines set out in the Code and has explained its position if not, in accordance with the "comply or explain" requirement as laid down in Paragraph 2 of the Introduction to the Code. Minimal adjustments to the Group's corporate governance practices and processes should be expected as its commitment to sound corporate governance has already ensured significant compliance with the Code.

## BOARD MATTERS

### **The Board's Conduct of Its Affairs (Principle 1)**

The Company is headed by an effective Board which is collectively responsible and works with management for the long-term success of the Group.

In that regard, the Board oversees the business affairs of the Group and is principally responsible for setting the Group's business direction, approving strategic plans, and monitoring and reviewing its financial performance. The Board also continually monitors and assesses the internal controls which enables risks to be properly assessed and managed. More particularly, the Board also maintains oversight and overall control over review of management performance, identification of key stakeholder groups, setting the Group's values and standards and the sustainability of the Group's operations, and works constructively with the Group's management. These are recognised as being crucial to the proper long-term governance of the Group as a whole.

Board committees have been constituted in order to assist the Board in the discharge of its oversight function. All Board committees are actively engaged and play an important role in ensuring good corporate governance in the Group by making recommendations on courses of action, in accordance with their respective terms of reference, for the Board's collective decision. Any decisions and recommendations made by the Board committees, even if permitted by their respective terms of reference, are nevertheless subject to confirmation by the Board.

The Board schedules regular meetings but *ad hoc* meetings are held as and when required. Otherwise, approvals from the Board are sought by way of circular board resolutions. Meetings by telephone and video conferencing are also allowed under the Company's Constitution ("Company's Constitution"). Records of all such meetings and resolutions including discussions on key deliberations and decisions taken by the Board are maintained by the Company Secretary(ies).

The Company adheres to internal guidelines which set out specific authorisations, materiality thresholds and approval limits for borrowings, acquisitions, disposals, investments and capital or operational expenditure so that Board approval is only required when transactions exceed such limits or where such transactions are otherwise considered material in nature. However, specific matters such as share issues, dividend distribution and share buybacks, always require the Board's approval regardless of approval limits or materiality.



Details of the attendance of the Board members at Board meetings and meetings of the various Board committees for the period 1 July 2022 to 30 June 2023 (FY2023) are set out in Table 1.

Table 1 NAME	BOARD	AUDIT AND RISK COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE
Number of Meetings held	4	4	2	2
Number of Meetings attended				
Raymond Lum Kwan Sung	4	N.A.	2	N.A.
David Lum Kok Seng <sup>(1)</sup>	4	N.A.	N.A.	N.A.
Tony Fong	4	N.A.	N.A.	N.A.
Kelvin Lum Wen Sum	4	N.A.	N.A.	N.A.
Peter Sim Swee Yam	4	4	2	2
Dr Willie Lee Leng Ghee	4	4	2	2
Constance Lee Sok Koon	4	4	N.A.	N.A.
Clement Leow Wee Kia	4	4	N.A.	N.A.
Kenneth Ho Siew Keong	4	4	N.A.	2

Note:

- (1) Mr Adrian Lum Wen Hong, alternate director to Mr David Lum Kok Seng, attended 4 board meetings as observer during the course of FY2023.

Prior to each Board Meeting, each director is supplied with complete, adequate and timely information by management pertaining to matters to be brought before the Board for its decision as well as ongoing reports relating to operational and financial performance of the Group. The management provides the Board with its accounts on a quarterly basis. Financial information, reports and assessments are provided for circular meetings as well as to provide sufficient information to the Board to make informed decisions.

Management generally takes the lead in updating the Board on new developments in the Group's business environment and on the conduct of the day-to-day affairs of the Company. In addition, members of the Board are regularly updated on changing commercial risks and industry developments (as deemed appropriate) and are provided with opportunities (arranged and funded by the Group at the Group's cost and expense) to train and update themselves on corporate governance matters and new developments in the regulatory regimes.

Pursuant to Rule 720(7) of the Listing Manual, all of the Directors underwent the required training on sustainability matters as prescribed by the SGX-ST.

The Board also has separate and independent access to senior management and the Company Secretary(ies) at all times. To assist the Board in fulfilling its responsibilities, the Board is fully aware that they may seek or direct management to seek independent professional advice, where appropriate. The costs of such independent professional advice are borne by the Company. The Company Secretary(ies) ensures that the communication and flow of information between the Board, the Board committees and management is maintained.

At least one of the Company Secretary(ies) also attends all Board meetings and is responsible, under the Board's auspices, for taking adequate steps to ensure that Board procedures and relevant legislative and regulatory requirements are complied with.

## BOARD MATTERS (CONTINUED)

### The Board's Conduct of Its Affairs (Principle 1) (continued)

New directors are subject to a tailored induction programme upon joining the Board, which includes, *inter alia*, briefings on the business activities, policies and internal controls of the Group, and site visits to the Group's various projects in Singapore and overseas. New directors are also issued a formal letter setting out their duties and obligations as directors in the context of the Code and the Companies Act 1967 (the "Act"), and the Company's expectations as regards their conduct and contributions in the performance of their functions.

The directors are subject to the requirements of the Code and specific fiduciary duties which are set out in the Act, the key aspects of which may be summarised as follows:

- To act honestly in good faith and in the interests of the Company;
- To avoid conflicts of interest;
- To exercise skill, care and diligence in the performance of duties; and
- To not misuse power and information for personal gain.

Whilst the Company places great emphasis on continuity of its serving directors and the vast experience that they provide in their various fields of expertise, the Company nevertheless understands the need for renewal from time to time and therefore has in place a modified induction programme for new directors who, whilst providing a fresh perspective and outlook on their functions, may require some guidance in specific areas of expertise such as accounting, legal, and industry-specific knowledge so as to better perform their functions as directors. In such cases, the Company will either enlist the assistance of its organic expertise or, if necessary, by external agencies to train the new director, at the Company's expense, in such specific areas of expertise that he or she may require.

The appointment and removal of the Company Secretary(ies) are subject to the approval of the Board.

### Board Composition and Guidance (Principle 2)

The Board has a formal and transparent process for the appointment and re-appointment of directors, which takes into account the need for progressive renewal of the Board. In doing so, the Board strives to maintain an appropriate level of independence and diversity of thought, gender and background in its composition to enable it to make decisions in the best interests of the Group.

The composition of the Board is reviewed regularly and the current composition ensures that the mix of experience and expertise is appropriate as members of the Board collectively possess a wealth and diversity of expertise ranging from legal, financial, management, human resources and industry knowledge. The structure of the Board as well as its size, which currently stands at nine, is suitable given the nature and scope of the Group, ensuring that meetings and decision-making are effective and productive. The size and composition of the Board is reviewed from time to time, taking into account the scope and nature of the Company's operations, to ensure that the size of the Board remains adequate to provide for a diversity of views, facilitate effective decision-making, and that the Board has an appropriate balance of executive, non-executive, independent and non-independent members so as to enable it to make decisions in the best interests of the Group.

The Board practices diversity which provides for the inclusion of directors with a wide mix of expertise, experience, perspectives, skills and backgrounds considering diversity factors including but not limited to, diversity in business or professional experience, age and gender, ethnicity and culture, geographical background and nationalities. The Board values the benefits that diversity can bring to the Board in its deliberations by avoiding groupthink and fostering constructive debate. Diversity enhances the Board's decision-making capability and ensures that the Company has the opportunity to benefit from all available talent and perspectives, which is essential to the effective governance of the business and for ensuring long-term sustainable growth.



The Nominating Committee, in carrying out its duties of determining the composition of the Board, looks for a diversity of background and opinion from candidates with the appropriate background and industry or related expertise and experience. In identifying candidates as part of the Board's refresh and casual vacancy processes, and making recommendations for appointment to the Board, the Nominating Committee considers diversity factors such as age, gender, ethnicity and educational, business and professional background of its members in order to achieve an appropriate level of diversity in the Board composition so as to enable it to make decisions in the best interests of the Group. In its annual review of the Board's composition, the Nominating Committee considers the subject of the diversity in the composition of the Board. The current Board has one female member, Mdm Constance Lee Sok Koon.

With nine members, comprising three executive and six non-executive directors, five of whom are independent, the Board maintains its independence as more than half its members are independent from any management and business relationship with the Company in accordance with Provisions 2.2 and 2.3 of the Code. Furthermore, the Lead Independent Director has the authority to convene and lead meetings of the independent directors without the presence of the executive directors from time to time as deemed necessary, and acts as the leader of the independent directors at board meetings in raising queries and pursuing matters in accordance with Provision 2.5 of the Code. This ensures that the Board is able to exercise its powers judiciously, independently and objectively.

In considering the independence of the non-executive directors, the Nominating Committee and the Board consider the criteria set out in Provision 2.1 of the Code which defines an independent director as one who has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of the director's independent business judgement with a view to the best interests of the Group. Additionally, the Nominating Committee and the Board, in accordance with Provision 4.4 of the Code, determine if a director is independent, having regard to the circumstances set forth in Provision 2.1 and taking into account disclosures by directors of their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence.

The Nominating Committee and the Board determine annually whether directors who have served on the Board for more than nine years from the date of their first appointment, are still independent within the meaning of the Code and can therefore continue to serve on the Board. The Board recognises the contribution of the independent directors who over time have developed deep insights into the Group's business and operations, and who are therefore able to provide invaluable contributions to the Board as a whole.

Save for Mr Peter Sim Swee Yam and Dr Willie Lee Leng Ghee, none of the independent directors has served on the Board beyond nine years from the date of his first appointment. At the AGM held on 29 October 2021, Mr Peter Sim Swee Yam and Dr Willie Lee Leng Ghee had obtained shareholders' approvals on their continued appointments as independent directors. With effect from 11 January 2023, SGX-ST has limited the tenure of independent director serving on the boards of listed companies to nine years. As a transition, independent director whose tenure exceeds the nine-year limit can continue to be deemed independent until the listed companies' next AGM to be held in 2024, for the financial year ending on or after 31 December 2023. In this respect, Mr Peter Sim Swee Yam and Dr Willie Lee Leng Ghee may continue as independent directors until the Company's next AGM to be held in 2024.

The Board notes that Mr Kelvin Lum Wen Sum, notwithstanding his non-independent status, had nevertheless demonstrated a high level of autonomy in the discharge of his fiduciary duties and that he had exercised his business judgement in the best interests of the Company and its minority shareholders.

The Company progressively and staggers refreshing of the Board composition as needed, taking into account diversity considerations.

## BOARD MATTERS (CONTINUED)

### Chairman and Managing Director (Principle 3)

There is no clear division of responsibilities between the leadership of the Board and management; however no one individual has unfettered powers of decision-making, as explained below.

Mr Raymond Lum Kwan Sung is the Executive Chairman of the Company. Together with the Executive Committee ("EXCO"), the Executive Chairman provides overall leadership and strategic vision for the Group. He strives to promote high standards of corporate governance in the Group by facilitating a culture of openness and debate at the Board level by ensuring that all directors, and especially the independent and non-executive directors, receive complete, adequate and timely information, so as to ensure that they are able to contribute their experience and expertise to Board proceedings. Thus facilitated by the Executive Chairman, his thoughtful and targeted guidance at Board meetings also allows proper time management of the agenda at meetings and ensures that comprehensive and detailed discussions of strategic issues and other pressing agenda items can take place. The Executive Chairman's role as a member of the EXCO also allows him to act as a bridge with management such that the Board is able to boost an amicable and constructive relationship with management to the Group's mutual benefit. The close working relationship between the Board and management fostered by the Executive Chairman allows him to provide a clear, consistent and cohesive narrative of the Company's activities as part of the Company's constant efforts towards effective communications with its shareholders.

The Executive Chairman and the Managing Director, Mr David Lum Kok Seng, are siblings and their executive roles are not clearly separated as both are closely involved in the day-to-day management and operations of the Group. The Board notes the familial relationship between the Executive Chairman and the Managing Director and the unique circumstances that govern such relationships, and is of the opinion that the Company's best interests are served by taking advantage of the sibling dynamic cultivated over a lifetime of mutual support in the consolidation and expansion of the Group from its modest beginnings in the construction industry. As such, the Board can raise no objections to the overlap in their respective executive roles. However, the Nominating Committee's view is that the Board remains independent in accordance with Provision 2.2 of the Code since more than half the Board and more than half of its committees (excluding the EXCO) remain independent up to the next AGM. In this respect also, and in accordance with Provision 3.3 of the Code, the Lead Independent Director avails himself to the shareholders who may have concerns, and for which contact through normal channels cannot resolve or is otherwise inappropriate or inadequate.



## Board Membership (Principle 4)

The Board has established various Board committees to assist and facilitate the execution of its duties. These are the EXCO, the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee. Apart from the EXCO, the Board committees are led by and comprise a majority of independent directors. Notwithstanding the establishment of the various Board committees as aforementioned, it must be emphasised that the Board nevertheless retains overall authority and control over the activities of the Board committees as decisions and recommendations of each Board committee must subsequently be confirmed by the Board. The composition of the Board committees and the dates of initial appointment and re-election of the directors to the Board are set out in Table 2.

Table 2 BOARD MEMBERS	EXECUTIVE COMMITTEE	AUDIT AND RISK COMMITTEE	NOMINATING COMMITTEE	REMUNERATION COMMITTEE	DATE OF INITIAL APPOINTMENT TO THE BOARD	DATE OF LAST RE-ELECTION TO THE BOARD
Raymond Lum Kwan Sung	C		M		18.09.1982	28.10.2022
David Lum Kok Seng <sup>(1)</sup>	M				18.09.1982	29.10.2020
Tony Fong	M				02.07.2012	29.10.2020
Kelvin Lum Wen Sum					10.11.2016	28.10.2022
Peter Sim Swee Yam		M	M	C	30.11.2001	29.10.2021
Dr Willie Lee Leng Ghee		M	C	M	28.02.2006	29.10.2021
Constance Lee Sok Koon		C			27.08.2021	29.10.2021
Clement Leow Wee Kia		M			03.05.2018	28.10.2022
Kenneth Ho Siew Keong		M		M	10.09.2021	29.10.2021

C – Chairman  
M – Member

(1) Mr Adrian Lum Wen Hong was appointed as alternate director to Mr David Lum Kok Seng on 27 August 2021.

## Executive Committee

The key responsibilities of the EXCO include the formulation of policies, the determination of business strategy and planning to execute and achieve targets and directives set by the Board as well as the execution of existing businesses and the management of funds and cashflow. The Members of the EXCO comprise Mr Raymond Lum Kwan Sung (Executive Chairman), Mr David Lum Kok Seng (Managing Director), Mr Tony Fong (Executive Director, Finance), Mr Adrian Lum Wen Hong (Director, Property Development), and Ms Emlyn Lum Wen Yan (Vice President, Finance).

## Nominating Committee

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board. In that regard, the Board and the Nominating Committee strive to ensure that directors on the Board possess the experience, knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions; and as such considers the respective experience, field-specific expertise and industry knowledge of prospective Board candidates.

## BOARD MATTERS (CONTINUED)

### Board Membership (Principle 4) (continued)

#### Nominating Committee (continued)

The Nominating Committee held two meetings in FY2023. Dr Willie Lee Leng Ghee remains the Chairman of the Nominating Committee which continues to comprise a majority of independent directors. The Nominating Committee's key responsibilities, as defined in its terms of reference, include:

- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Executive Chairman, the Managing Director and key management personnel;
- (b) the process and criteria for evaluation of the performance of the Board, the Board committees and directors;
- (c) the review of training and professional development programs for the Board and the directors;
- (d) assessing the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board;
- (e) making recommendations on appointment and re-nomination of directors, having regard to the relevant director's contribution and performance;
- (f) making recommendations having regard to the changing needs of the Group as regards diversity, experience and expertise so as to maximise the effectiveness of the Board as a whole in the performance of its functions;
- (g) reviewing each director's independence annually; and
- (h) considering whether or not a director who has multiple board representations is able to and has been properly carrying out his duties as a director of the Company.

With regard to the selection of new directors, the Nominating Committee evaluates the balance of diversity, skills, knowledge and experience on the Board and, arising from such evaluation, determines the role and the desirable competencies for a particular appointment to enhance the existing Board composition. The Nominating Committee meets with short-listed candidates to assess their suitability and availability for appointment to the Board. The Nominating Committee then makes recommendations to the Board for approval. New directors are appointed by the Board upon the recommendation of the Nominating Committee and they must submit themselves for re-election at the next AGM in accordance with the Company's Constitution.

The Company's Constitution requires that at each AGM, not less than one-third of the directors for the time being (being those who have been longest in office since the last re-election) retire from office by rotation and may seek re-appointment. The Company's Constitution also requires that every director of the Company shall retire at least once every three years.

Before making its recommendation to the Board for the re-appointment of a retiring director, the Nominating Committee takes into consideration the director's contribution and performance which are determined by factors such as attendance, preparedness, participation and candour (as well as contribution to the effectiveness of the Board). The director is also assessed based on his or her ability to adequately carry out the duties expected while performing roles in other companies or in other appointments. Mr David Lum Kok Seng, Mr Tony Fong and Mr Kenneth Ho Siew Keong will be seeking re-election as directors pursuant to Article 107(2) of the Company's Constitution (collectively, the "Retiring Directors") at the FY2023 AGM. The Nominating Committee has reviewed and is satisfied with their contribution as directors, and has therefore endorsed their nomination for re-election. Mr Adrian Lum Wen Hong, as the alternate director to Mr David Lum Kok Seng, will, subject to Mr David Lim Kok Seng being re-elected as a director at the FY2023 AGM and remaining a member of the Board, continue to hold office at Mr David Lum Kok Seng's pleasure. Pursuant to Rule 720(6) of the Listing Manual issued by Singapore Exchange Securities Trading Limited (the "Listing Manual"), the information relating to the Retiring Directors as set out in Appendix 7.4.1 of the Listing Manual may be found in pages 49 to 56 of this annual report.



The independence of each director is assessed and reviewed by the Nominating Committee. As part of the review, each independent director is required to complete a checklist annually to confirm his independence. The checklist is drawn up based on the requirements of Provision 2.1 of the Code. The Nominating Committee takes into account, *inter alia*, whether a director has business relationships with the Company, its related companies, its substantial shareholders or its officers; and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Group. Based on the checklists received and reviewed by the Nominating Committee, the independent directors have no association with management that would compromise their independence.

Further, in determining the independence of its independent directors, the Nominating Committee and the Board also took into account Rules 210(5)(d)(i) and (ii) of the Listing Manual, on the circumstances in which a director will not be deemed independent and provisions in the Code as to the circumstances in which a director should not be deemed independent.

On the bases set out above and on the basis of the checklist provided by each independent director, the Nominating Committee examined the different relationships identified by the Code that might impair the independent directors' independence and objectivity, and determined that all the independent directors were independent within the meaning of the Code. In addition to the requirements of the Listing Manual and the Code, the Nominating Committee considered whether each of the independent directors had demonstrated an appropriate level of independence of character and judgement in the discharge of his responsibilities as a director of the Company, and is satisfied that each of them acted with independent judgement. The Board therefore considers that there is nothing to indicate that their ability and willingness to act independently has been compromised in any way. It should be noted that all directors, including independent directors, are required to recuse themselves from any transactions that might give rise to a conflict of interest. Following the review, the Nominating Committee was of the view that Messrs Peter Sim Swee Yam, Clement Leow Wee Kia, Kenneth Ho Siew Keong, Dr Willie Lee Leng Ghee and Mdm Constance Lee Sok Koon should be deemed independent within the meaning of the Code.

The Board therefore comprises a majority of independent directors, with a total of nine directors of whom five are independent.

### **Board Performance (Principle 5)**

The Nominating Committee annually assesses the effectiveness of each Board committee and the Board as a whole by evaluating such factors as the adequacy and size of the Board and the Board committees, each individual director's contributions at Board committee level and towards the effectiveness of the Board, the Board's access to information, Board processes and accountability and communication with senior management. The Nominating Committee's assessment confirmed that the Board and the Board committees were generally functioning effectively and performing well within a highly competitive and challenging environment. In the conduct of its assessment, the Nominating Committee compared the Board's overall performance with its industry peers.

Each member of the Board is also assessed individually according to, amongst other things, his or her contributions, knowledge and abilities, teamwork, integrity and effectiveness. The Nominating Committee also reviews the criteria for evaluation annually, making changes where necessary.

The Nominating Committee is of the view that directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group, and that their multiple board representations do not hinder their abilities to perform their duties as directors of the Company. Indeed, such multiple board representations of the directors benefit the Group, as the directors are able to bring with them the experience and knowledge obtained from board representations in other companies. The Nominating Committee continually monitors the performance of directors who have multiple board resolutions with a view to ensuring that they are not thereby distracted from their immediate duties to the Company. In view of this, the Nominating Committee has not set any prescribed maximum number of listed company board representations which any director may hold and is



## BOARD MATTERS (CONTINUED)

### Board Performance (Principle 5) (continued)

satisfied that the current criteria adopted is adequate and appropriate for the Group. The Nominating Committee will continue to monitor the performance and contributions of directors who have multiple board representations to ensure that their ability to perform their duties as directors of the Company is not hampered.

Key information on the Board; in particular, all the directorships in listed companies held by the directors, both current and those held over the preceding three years, as well as their principal commitments as defined in Provision 4.5, footnote 15 of the Code, may be found in pages 6 to 11 of this annual report.

### Share Purchase Committee

At the AGM on 28 October 2022, the shareholders of the Company had approved the renewal of the mandate for the Company to carry out share buybacks as permitted by the Act (the "Share Purchase Mandate").

The Share Purchase Committee, comprising Messrs Raymond Lum Kwan Sung, David Lum Kok Seng and Tony Fong, was authorised to purchase shares of the Company at such time as it deems suitable subject to the prescribed conditions in the Share Purchase Mandate. The Company did not purchase any shares during FY2023.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies (Principle 6)

#### Level and Mix of Remuneration (Principle 7)

#### Disclosure on Remuneration (Principle 8)

### Remuneration Committee

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel.

The Remuneration Committee comprises non-executive independent directors only. The Chairman of the Remuneration Committee is Mr Peter Sim Swee Yam. The Remuneration Committee held two meetings in FY2023.

The scope of the Remuneration Committee includes reviewing and recommending to the Board the remuneration packages of the executive directors and key management personnel including termination terms to ensure they are fair, as well as the fees of the non-executive directors. No director is involved in deciding his or her own remuneration.

Directors' remuneration and fees are set in accordance with a general remuneration framework consisting of basic retainer fees benchmarked against the remuneration and fees paid by other companies in related industries, and this general framework is reviewed and approved by the Remuneration Committee. The fee framework for the non-executive directors and remuneration packages of the executive directors contain appropriate and meaningful measures to assess and evaluate the performance of the directors and key management personnel. Such appropriate and meaningful measures are arrived at with the assistance of external expertise engaged for that purpose, as deemed necessary and/or appropriate by the Remuneration Committee.



The remuneration of the executive directors and key management personnel consists of a basic component, a variable component and other appropriate benefits in kind. The remuneration of the executive directors and key management personnel are arrived at having regard to the following:

- Alignment with the interests of shareholders with a view to promoting the long-term success of the Group; and
- Appropriate and meaningful measures for the purpose of assessing the performance of the executive directors and key management personnel.

As regards the non-executive directors, their remuneration is pegged to their level of contribution, and takes into account factors such as the effort and time spent in the discharge of their functions and their individual scope of responsibilities. Non-executive directors' fees are subject to approval at each AGM.

The Board is of the view and explains that, given the highly competitive industry conditions coupled with the sensitivity and confidentiality of remuneration matters, the disclosure of the remuneration packages of the independent directors and key management personnel, on a named basis, as required by Provisions 8.1 and 8.2 of the Code, would be prejudicial to the Company's interests.

A breakdown, showing the level and mix of each individual director's remuneration paid or payable for FY2023, is set out in Table 3.

Table 3	FEES	SALARY	BONUS	OTHER BENEFITS
	(%)	(%)	(%)	(%)
<b>\$847,200</b>				
Raymond Lum Kwan Sung	-	84	7	9
<b>\$824,400</b>				
David Lum Kok Seng	-	86	8	6
<b>\$350,700</b>				
Tony Fong	-	88	8	4
<b>Below \$100,000</b>				
Kelvin Lum Wen Sum	100	-	-	-
Peter Sim Swee Yam	100	-	-	-
Dr Willie Lee Leng Ghee	100	-	-	-
Constance Lee Sok Koon	100	-	-	-
Clement Leow Wee Kia	100	-	-	-
Kenneth Ho Siew Keong	100	-	-	-

## REMUNERATION MATTERS (CONTINUED)

### Remuneration Committee (continued)

The remuneration of the Group's top 5 key executives for FY2023 is set out in Table 4.

Table 4	FEES	SALARY	BONUS	OTHER BENEFITS
	(%)	(%)	(%)	(%)
<b>\$750,000 to \$1,000,000</b>	-	63	32	5
<b>1</b>				
<b>\$500,000 to \$749,999</b>	-	66	31	3
<b>2</b>				
<b>\$250,000 to \$499,999</b>	-	78	18	4
<b>2</b>				

The Remuneration Committee and the Board are of the view that

- (i) A significant and appropriate proportion of the executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance, and that performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the Company;
- (ii) The remuneration of non-executive directors is appropriate to their respective levels of contribution, taking into account factors such as effort, time spent, and responsibilities; and
- (iii) The level of remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company, and key management personnel to successfully manage the Company for the long term.

The two employees who are immediate family members of the Executive Chairman, the Managing Director or a substantial shareholder and whose remuneration exceeds \$100,000 during the financial year ended 30 June 2023 are:

1. Ms Emlyn Lum Wen Yan, a daughter of Mr Raymond Lum Kwan Sung (the Executive Chairman) and niece of Mr David Lum Kok Seng (the Managing Director), and who is employed by the Company as Vice President, Finance. She received remuneration comprising salary and annual bonus in the \$100,000 to \$150,000 band during the financial year.
2. Mr Adrian Lum Wen Hong, a son of Mr David Lum Kok Seng (the Managing Director) and nephew of Mr Raymond Lum Kwan Sung (the Executive Chairman), and who is employed by the Company as Director, Property Development. He received remuneration comprising salary, annual bonus and other benefits in the \$300,000 to \$350,000 band during the financial year.

For FY2023, the aggregate total remuneration paid to key management personnel, excluding the Board of Directors, was \$2,622,364.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls (Principle 9)

The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls in order to safeguard the interests of the Group and its stakeholders. The Audit and Risk Committee addresses this by putting in place an enterprise risk management framework to define the strategic objectives and determine the risk appetite, tolerance and risk mitigation measures to address potential impediments to achieving the Group's business strategies.



The Board, through its announcements of interim and full-year results, aims to provide shareholders with a balanced and understandable assessment of the Company's performance and prospects. To enable the directors to properly fulfil their duties, management also submits financial and business reports to the Board on a regular and timely basis, whether requested or not. Such reports compare actual performance against the budget and provide explanatory notes on material variances.

For FY2023, the Executive Directors of the Company (which includes the Executive Director, Finance), provided written representations to the Board on the integrity of the interim financial statements announcement covering the Company and its subsidiaries. Pursuant to Rule 705(5) of the Listing Manual, the Board provided a negative assurance confirmation on the Group's interim financial statements announcement.

#### **Audit and Risk Committee (Principle 10)**

The Board has an Audit and Risk Committee that discharges its duties objectively. The main responsibilities of the Audit and Risk Committee are to assist the Board in discharging its statutory and other responsibilities relating to internal controls, financial and accounting matters, compliance, business and financial risk management, and other relevant legislative and regulatory requirements. The Audit and Risk Committee comprises five independent directors. It has explicit authority to investigate any matter within its terms of reference and full access to and the co-operation of management. It also has direct and independent access to the internal and external auditors.

The Audit and Risk Committee is chaired by Mdm Constance Lee Sok Koon and its members are all non-executive and independent directors. More than half of the members of the Audit and Risk Committee, including the Chairman of the Audit and Risk Committee, have recent and relevant experience in the financial or accounting fields. The Company believes in taking a holistic approach towards the constitution of its various Board committees and as such does not restrict membership in the Audit and Risk Committee only to directors who have financial and/or accounting experience. The Audit and Risk Committee meets on a regular basis to carry out its role of reviewing the financial reporting process, the systems of internal control, management of financial risks and the audit process.

The Audit and Risk Committee is tasked, under its terms of reference, to perform the following functions:

- (a) Independent review of financial statements and announcements;
- (b) Examination of the effectiveness of financial, operating, compliance and information technology controls;
- (c) Review and approval of audit plans of the external and internal auditors of the Company;
- (d) Review of the scope of internal audit reports as well as management's response to the findings;
- (e) Review of interested person transactions;
- (f) Review of the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (g) Review of the nature and extent of non-audit services performed by external auditors; and
- (h) Review of procedures for detecting fraud and receive updates on whistle blowing reports.

The Audit and Risk Committee, having regard to the critical role it plays in business and financial risk management, ensures that each of its members take adequate measures to keep abreast of changes to accounting standards and issues which have a direct impact on the Group's financial statements.

The Audit and Risk Committee also makes a point of meeting the external auditors, PricewaterhouseCoopers LLP ("PwC"), and the internal auditors at least once annually without the presence of management, in accordance with Provision 10.5 of the Code.

## ACCOUNTABILITY AND AUDIT (CONTINUED)

### Audit and Risk Committee (Principle 10) (continued)

The Audit and Risk Committee reviewed the independence of PwC (including the non-audit services provided to the Group), and is satisfied that (i) they have maintained their independence and (ii) the nature and extent of their non-audit services did not affect their objectivity. The Audit and Risk Committee has therefore recommended to the Board that PwC be nominated for re-appointment as auditors at the FY2023 AGM.

The Group has complied with Rule 712 and Rule 715 or 716 of the Listing Manual in relation to its auditors.

The Audit and Risk Committee held four meetings in FY2023. During these meetings and in the course of FY2023, the Audit and Risk Committee carried out its functions set out above and in doing so reviewed the internal risk management function, whistle-blowing policy, interested person transactions and material contracts, amongst other activities.

In accordance with Provision 9.2 of the Code, for FY2023, the Board has received assurance from:

- (a) The Managing Director and Executive Director, Finance that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) The Managing Director, Executive Director, Finance and other key management personnel regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

The Audit and Risk Committee does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation. None of the Audit and Risk Committee members were previous partners or directors of the Company's existing auditors.

### Internal Risk Management

The internal controls and systems of the Group have been designed to provide reasonable assurance that its assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The Group has an independent internal audit function headed by an Internal Auditor ("Internal Audit") who reports directly, with full and direct access at all times, to all members of the Audit and Risk Committee. The Audit and Risk Committee has the authority to approve the appointment, termination and remuneration of the internal auditor(s). The Internal Auditor is a member of the Singapore Chapter of the Institute of Internal Auditors ("IIA") and is guided by the International Standards for the Professional Practice of Internal Auditing ("the IIA Standards") laid down in the International Professional Practices Framework issued by the IIA. The Group identifies and provides training and development opportunities for its internal auditor(s) to ensure that their technical knowledge and skill set remains current and relevant. The functions of Internal Audit include the independent reviewing and evaluation of the Group's internal controls as well as financial, operational and compliance controls and risk management and as such has the necessary resources and standing required for full and unfettered access to all the Group's documents, records, properties and personnel. Internal Audit independently performs regular audits of the Group's individual business units and operations, which include overseas subsidiaries and associates.

The Audit and Risk Committee, together with Internal Audit, ensures the identification of undue business risk and the implementation of effective remedial action through the internal audit process. Internal Audit plans its internal audit schedules in consultation with, but independent of, management. The audit plan is submitted to the Audit and Risk Committee for approval prior to the commencement of the internal audit work. Regular reports on the effectiveness of the systems of internal control are prepared and presented to senior management and the Board.



The Audit and Risk Committee regards the systems of internal control and risk management as necessary components to safeguard the Shareholders' investments and the Company's assets. The Audit and Risk Committee reviews and assesses Internal Audit based on the Group's adoption of the IIA Standards on a regular basis (but in any event not less than annually) and is satisfied with the adequacy and the overall effectiveness of Internal Audit as at 30 June 2023. Accordingly, the Audit and Risk Committee is satisfied that the internal audit function of the Group is independent, effective and adequately resourced for the financial year ended 30 June 2023.

The Audit and Risk Committee has the primary task of reviewing the risk controls implemented by the Group; and at suitable intervals, depending on developments in the business environment, conducts appropriate inquiry into the risks faced by the Group.

Internal Audit independently conducts audits that involve testing the material internal control systems in the Group. Any material non-compliance or lapses in internal controls together with corrective measures recommended by Internal Audit are reported to the Audit and Risk Committee. The Audit and Risk Committee also reviews the effectiveness of the measures taken by management in response to the recommendations made by Internal Audit. The system of internal control and risk management is continually refined by management, the Audit and Risk Committee and the Board.

The Group has reviewed its key risk factors, which include financial, operational, regulatory and strategic risks and formalised them in a risk register, together with practical business and internal controls to manage or mitigate them.

A risk management framework on the Group's ongoing process in identifying, assessing and reporting risks was also formalised. Through Internal Audit under the supervision of the Audit and Risk Committee, the Board monitors the design and implementation of the risk management and internal control systems to be in line with the risk policies and risk tolerance levels of the Group. These initiatives enable key business risks to be assessed so as to better manage the exposure of the Group's risks but at the same time allow the Group to leverage on growth and business opportunities as and when they arise.

The Group is committed to strengthening its risk management policies and procedures to keep abreast of the challenges and developments in the industry and will continue to identify, monitor, manage and mitigate the key risks.

The ongoing process of identifying business risks and implementing suitable preventive or corrective measures continues to be carried out primarily by the Audit and Risk Committee together with Internal Audit, with overall oversight by the Board and with participation by various stakeholders within the Group in their respective specific areas. The system of internal controls is regularly assessed for its effectiveness and the results are presented to senior management and the Board.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group's assets and investments are safeguarded. The Board notes that no system of internal and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the management, the Board, with the concurrence of the Audit and Risk Committee, is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls, and risk management systems were effective and adequate as at 30 June 2023.

## ACCOUNTABILITY AND AUDIT (CONTINUED)

### Audit and Risk Committee (Principle 10) (continued)

#### Whistle-Blowing Policy

The Company has in place whistle-blowing arrangements whereby employees may raise concerns about fraudulent activities, financial malpractices, conduct that would be considered as physically dangerous or harmful, unethical behaviour and harassment, sexual or otherwise. To ensure independent investigation of such matters and for appropriate follow-up action, whistle-blowing reports are sent to the two independent directors who are the internal coordinators of the Whistle-Blowing Policy (the "Whistle-Blowing Coordinators"). The Whistle-Blowing Coordinators report to the Chairman of the Audit and Risk Committee. The Audit and Risk Committee is responsible for oversight and monitoring of the Whistle-Blowing Policy and whistle-blowing arrangements thereunder as a whole.

The Company accepts anonymous whistle-blowing reports where appropriate, but employees are encouraged to identify themselves in their reports in order to facilitate timely and effective investigations into their complaints. Where practicable, the Audit and Risk Committee and the Board ensure the identity of the whistleblower is kept confidential. The Whistle-Blowing Coordinators are required to treat all whistle-blowing reports in strictest confidence and act to investigate complaints promptly.

The Company has made it clear in the Whistle-Blowing Policy that any employee who makes a whistle-blowing report in good faith will not be dismissed, disciplined or otherwise unfavourably treated.

#### Interested Person Transactions

The Company has established a procedure for the recording and reporting of interested person transactions.

Name of Interested Person	Nature of relationship	Aggregate value of all IPTs during FY2023 (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		\$'000	\$'000
<b>Sale of property</b>			
David Lum Kok Seng	Director of the Company	\$8,388	NIL
<b>Lease arrangement</b>			
ISE Foods Holdings Pte Ltd	An associate of a controlling shareholder and director of the Company	\$229	NIL

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual.



## Material Contracts

Other than disclosed elsewhere in the Annual Report, there were no other material contracts and loans entered into by the Company or any of its subsidiaries involving the interests of any director and/or the controlling shareholders and their associates, either still subsisting at the end of FY2023 or, if not subsisting, which were entered into during FY2023.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings (Principle 11)

#### Engagement with Shareholders (Principle 12)

The Company treats all its shareholders fairly and equitably in order to enable them to exercise shareholders' rights and accord them the opportunity to communicate their views on matters affecting the Group. The Company endeavours to give shareholders a balanced and understandable assessment of its performance, position and prospects.

The Company updates its shareholders primarily through SGXNET. Interim and full-year results are released within the prescribed periods and material and/or price-sensitive information are released promptly. This ensures that inadvertent disclosures of information made to select groups of shareholders are promptly disseminated to all other shareholders. Annual Reports of the Company and the notices of general meetings are published on the Company's corporate website. Physical copies of the notices of general meetings are sent to shareholders but physical copies of the Annual Reports are only provided to shareholders upon request. In addition to the foregoing, the Company's website is an important source of information for shareholders and the investing community. Interim and full-year results announcements, news releases, annual reports and other key facts and figures about the Group are available on the investor relations section of the Company website in accordance with Provisions 12.1, 12.2 and 12.3 of the Code. A dedicated investor relations email address is maintained to enable the investing community to reach out to the Company.

General meetings provide an excellent opportunity for the shareholders to query the directors with regard to the Company and their recommendations. The Company values dialogue with its shareholders, and avails the respective chairs of the Audit and Risk, Nominating and Remuneration Committees, as well as the external auditors to address, or to assist the directors in addressing, any relevant queries by the shareholders during general meetings.

To accord shareholders their rights proportionate to their shareholdings in voting, the Company has implemented electronic voting by poll for each resolution tabled at general meetings. Voting by poll promotes greater transparency and effective participation as independent scrutineers are appointed to conduct the voting process by briefing the shareholders on the voting process, and to verify and tabulate votes after each resolution. Upon conclusion of general meetings, the voting results at the general meetings and the names of the independent scrutineers are announced via SGXNET.

The Company does not "bundle" resolutions at general meetings of shareholders unless the resolutions are interdependent and linked so as to form one significant proposal. The Company will explain the reasons and material implications in notices of meeting if ever such "bundling" becomes necessary or desired.

Minutes of general meetings are prepared and published on the Company website. The Company's Constitution places no limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend general meetings as proxies.

Voting in absentia is allowed under the Company's Constitution but is not implemented due to concerns on the integrity of information transmitted through the available media and concerns over the authenticity of the identity of shareholders.



## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders (Principle 13)

The Company identifies stakeholders that are impacted, or have the potential to be impacted by the Group's business and operations as well as those external organisations that have a material impact on the Group's business and operations. Accordingly, the Company engages its stakeholders through a variety of channels to ensure that the business interests of the Group are balanced against that of the stakeholders. More information on the Company's stakeholder engagement, including its engagement platforms and issues of concern may be found in the Company's Sustainability Report which will be made available on our corporate website at the URL <https://lumchang.com.sg/sustainability/> and SGXNet at the URL <https://www.sgx.com/securities/company-announcements> by end October 2023.

The Company maintains a corporate website ([www.lumchang.com.sg](http://www.lumchang.com.sg)) to engage its stakeholders.

## DIVIDEND POLICY

The Company has not formally instituted a dividend policy; however it has a good track record of paying annual dividends to shareholders since its listing on the Singapore Exchange in 1984. When proposing any dividend payout and/or determining the form, frequency and/or the amount of such dividend payout, the Board will take into account, inter alia, the Group's financial position, retained earnings, results of operations and cash flows, expected working capital requirements, expected capital expenditure, future expansion and investment plans and other funding requirements, general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group.

## DEALINGS IN SECURITIES

The Company has adopted an internal compliance code whereby directors and affected staff ("relevant persons") are prohibited from dealing in the Company's shares during "black-out" periods which are as prescribed under the Listing Manual; being a period of one (1) month before the announcement of its interim (i.e. half-year) financial results and one (1) month before the announcement of its full-year results. Relevant persons are also not allowed to deal in the Company's shares prior to the announcement of material price-sensitive information of which they are in possession.

Each year, the Company plans the release of the announcements of its interim and full-year results and sets out the "black-out" periods. The Company ensures that each of the relevant persons is informed of such "black-out" periods and each of the relevant persons is required to acknowledge and declare that he or she is fully aware of the same. The Company also specifically highlights in its policy that relevant persons should not deal in the Company's shares on short-term considerations even during the non "black-out" periods.

The Company provides regular updates to the directors and key management personnel on developments in insider trading regulations with particular focus on developments in local case law and changes in the regulatory framework, regularly highlighting the importance of safeguarding confidential information as well as the misuse of insider information.