

CORPORATE GOVERNANCE

The Directors and Management of BBR Holdings (S) Ltd are committed to maintaining a high standard of corporate governance to protect the interests of shareholders as well as strengthen investors' confidence. BBR confirms that it has adhered to the principles and guidelines of the Code of Corporate Governance 2012 ("CCG") for financial year ended 31 December 2017. Deviations from the CCG, if any, have been explained appropriately in this report.

BOARD MATTERS

Board's Conduct of its 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 of Directors comprises seven Directors and two Alternate Directors, namely:

Executive	:	Mr. Tan Kheng Hwee Andrew Mr. Voon Yok Lin (appointed on 21 June 2017) Mr. Voon Chet Chie (appointed on 21 June 2017 as alternate to Mr. Voon Yok Lin)
Non-Executive	:	Mr. Bruno Sergio Valsangiacomo Mr. Marcel Poser Mr. Romano William Fanconi (alternate to Mr. Marcel Poser)
Independent	:	Prof. Yong Kwet Yew Ms. Luk Ka Lai Carrie Mr. Soh Gim Teik

Apart from its statutory responsibilities, the Board is responsible for overseeing and supervising the management and corporate affairs of the Group. Board members are expected to act in good faith and exercise independent judgement in the best interests of the Group.

The principal functions of the Board are:

- Set strategic direction of the Group and ensure the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls so as to safeguard shareholders' interests and the Company's assets;
- review and approve financial performance of the Group including its quarterly and full year financial results announcements;
- review the adequacy of the Group's internal control and financial reporting system;
- identify key stakeholder groups and set the values and standards so as to ensure that obligations to these stakeholders and shareholders are met; and
- consider sustainability issues e.g. environmental and social factors, as part of its strategic formation.

All the Directors have objectively discharged their duties and responsibilities in every circumstance as fiduciaries in the interests of the Company. To facilitate effective management, the Board has delegated the authority to make certain decisions to various Board Committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, BBR Share Plan Committee, Investment Committee and Risk Management Committee. The effectiveness of each Board Committee is also closely monitored. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decision and/or recommendations, it has not abdicated its ultimate responsibilities. The terms of reference for the respective committees are disclosed in the following paragraphs.

CORPORATE GOVERNANCE

Board and Board Committees meetings have been held regularly and as required by particular circumstances in each financial year. The Company's Constitution has provided for meetings of Directors and Board Committees to be conducted by means of telephone and video-conference and other methods of simultaneous communication by electronic, telegraphic or other similar means, where applicable, by which the foreign Directors who reside overseas could participate in the meetings.

The number of meetings held in 2017 and the attendance of each Board member at these meetings were as follows:

Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings held	5	4	2	2
Number of meetings attended:				
Mr. Tan Kheng Hwee Andrew	5	4*	2*	N.A.
Mr. Voon Yok Lin/Voon Chet Chie**	3	N.A.	N.A.	N.A.
Mr. Bruno Sergio Valsangiacomo	4	N.A.	1	N.A.
Mr. Marcel Poser/Romano William Fanconi	4	N.A.	1*	N.A.
Prof. Yong Kwet Yew	5	4	2	2
Ms. Luk Ka Lai Carrie	5	4	2	2
Mr. Soh Gim Teik	5	4	N.A.	2

* Attendance by invitation

** Appointed on 21 June 2017

The approval of the Board is required for certain material transactions, which include among other things, major investment proposals or divestitures, policy or strategic matters affecting the Group, reorganisation or substantial transactions which have a material impact on the Group, declaration of dividends to shareholders, periodic announcements of financial results and annual reports.

Training and Development Programmes

Every new Director will receive appropriate orientation training and in-depth briefings by senior management on the Group's structure, business units, operations and policies when he/she is first appointed to the Board. This is to ensure that each incoming Director is familiar with the Company's business and governance practice.

Upon appointment of each Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

During the year, the Directors were kept informed of and updated on the following:

- developments in accounting standards and code of corporate governance;
- Group strategies and industry trends and developments in the construction and property development businesses; and
- relevant new laws, regulations and changing commercial risks.

The updates and briefings were facilitated via attendance at conferences and seminars conducted by The Singapore Exchange Securities Trading Limited ("SGX-ST"), other external trainers, circulation of memoranda by Ernst & Young LLP, company secretary and the Company, including briefings at Board and committee meetings.

Although the Company does not specifically set aside a training budget for Directors, they are encouraged to attend training courses and conferences conducted by professional organisations or institutions to keep abreast of changes to laws, regulations and financial reporting standards, at the Company's expense.

Board Composition and Balance

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 Company endeavours to maintain a strong and independent element on the Board with the Independent Directors making up at least one-third of the Board. The Board currently comprises seven members, three of whom are independent. The independence of each Independent Director is reviewed annually by the Nomination Committee.

The Board has identified each of the Company's Independent Directors to be independent, after determining, taking into account the views of the Nomination Committee, whether the Director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement. Each Director is required to disclose to the Board any such relationships or circumstances as and when they arise.

The Board has adopted guidelines set out in the CCG on relationships, the existence of which would deem a Director not to be independent. A Director who has no relationship with the Company, its related corporations, officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company, that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company, is considered to be independent.

The Nomination Committee is tasked to determine on an annual basis and, as and when the circumstances require, whether or not a Director is independent, bearing in mind the CCG and any other salient factors which would render a Director to be deemed not independent. In addition, consideration is given to Guideline 2.4 of the CCG which requires that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment, be subject to particularly rigorous review.

The Board recognises that Independent Directors may over time develop significant insights into the Group's business and operations, and can continue to objectively provide significant and valuable contribution to the Board as a whole. Where there are such Directors serving as an Independent Director for more than nine years, the Board will do a rigorous review of their continuing contribution and independence.

Prof. Yong Kwet Yew, Ms. Luk Ka Lai Carrie and Mr. Soh Gim Teik have each served on the Board as Non-Executive Independent Directors for more than nine years from the date of their first appointment.

The Nomination Committee takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging the Management in the interests of the Group as he/she performs his/her duties in good faith, are more critical measures in ascertaining a Director's independence than the number of years served on the Board.

During its review, the Nomination Committee (saved for Prof. Yong Kwet Yew) considered and noted that notwithstanding that Prof. Yong Kwet Yew has served the Board for more than nine years, Prof. Yong's independence as a Director is not affected as he continues to demonstrate his independent leadership and guidance through active participation and objective questioning on matters discussed during the Board and Board Committees meetings and has led discussions and offered independent views on critical areas of the Group's business and governance issues.

CORPORATE GOVERNANCE

During its review, the Nomination Committee (saved for Ms. Luk Ka Lai Carrie) considered that Ms. Luk Ka Lai Carrie has continually exercised independent judgement for the benefits of the Company and all shareholders. She is always aware of her responsibilities towards the minority shareholders and has acted in their interests. She is an effective Audit Committee Chairperson who is very knowledgeable in finance, accounting and governance matters and had independently enquired on key control issues and offered critical insights and independent views during the Board and Board Committees meetings.

During its review, the Nomination Committee (saved for Mr. Soh Gim Teik) considered and noted that Mr. Soh Gim Teik had demonstrated a high level of independence in discharging his duties. He had exercised sound independent business judgement and highlighted potential issues on investment terms and provided comments on internal control issues and areas where improvements are needed.

All the three Independent Directors have no business relationship with the Company and the Group and have not been directly or indirectly interested in the shares of the Company and its Group. In situations where there may be potential conflict of interest or lack of impartiality, the respective Independent Directors will recuse themselves completely. They are independent in character and judgement and their long service as Independent Directors is an invaluable asset to the Company due to their familiarity with the industry and the Group's businesses.

After taking into account these factors, the views of the Nomination Committee and having weighed the need for Board's refreshment against tenure, the Board has considered and determined that Prof. Yong Kwet Yew, Ms. Luk Ka Lai Carrie and Mr. Soh Gim Teik continue to be regarded as Independent Directors of the Company, notwithstanding that they have served on the Board beyond nine years.

The Board has evaluated its size, composition and skills of its members to ensure an appropriate balance and diversity of skills, experience and knowledge.

The Board comprises members possess a wealth of experience ranging from accounting and finance, engineering, industry knowledge, management and strategic planning who, as a group, provide core competencies necessary to meet the demands facing the Company and the industry and provide leadership of the Company. Key information regarding the Directors is set out under the section entitled "Board of Directors" in this Annual Report.

The Board is satisfied that the current size of the Board is appropriate for effective decision-making, given the scope and nature of operations of the Company. It will continue to review the size and composition of the Board for effectiveness.

During Board and Board Committee meetings, our Non-Executive Directors have participated constructively in the mapping of strategic plans and reviewed critically the performance of the Chief Executive Officer ("CEO") and Management in meeting goals and objectives. They have informal meetings without the presence of the CEO and Management to discuss the performance of the Group.

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 clear division of responsibilities between the Non-Executive and Independent Chairman and the Chief Executive Officer ensures proper balance of power and authority of the Group.

Prof. Yong Kwet Yew is the Chairman of the Board since 28 April 2008.

The Chairman's role includes the following:

- scheduling meetings that enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;
- preparing agendas for meetings in consultation with the CEO;
- exercise control over quality, quantity and timeliness of the flow of information between management and the Board;
- assist in ensuring compliance with Company's guidelines on corporate governance;
- facilitating the effective contribution of the Non-Executive Directors;
- ensuring effective communication with shareholders;
- encourage constructive relations within the Board and between the Board and Management: and
- promote high standards of corporate governance.

Mr. Tan Kheng Hwee Andrew is the Executive Director and CEO of the Company, and together with the management team, is responsible for the daily operations and administration of the Group.

The Board is of the view that power is not unduly concentrated in the hands of one individual nor is there any compromised accountability and independent decision-making as all decisions and policy changes are conducted through the respective Board Committees, which are chaired by Independent Directors.

The Company has not appointed a Lead Independent Director because the Chairman and the CEO are separate persons and they are not family members. The Chairman is also an Independent Director who is not part of the management team.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nomination Committee ("NC") comprises three Independent Directors, namely:

Prof. Yong Kwet Yew – Chairman

Ms. Luk Ka Lai Carrie

Mr. Soh Gim Teik

The NC was established for the purpose of ensuring that there is a formal and transparent process for all board appointments.

The terms of reference of the NC are:

- To consider, at the request of the Board or the Chairman, all appointments to the Board and upon appointment of a new Director, provide a formal appointment letter to the Director, setting out the duties and obligations as a Director;
- To provide advice and recommendations to the Board and the Chairman on renomination of Directors to the Board having regard to the Director's contribution and performance, for example, attendance, preparedness, participation and candour including, if applicable, as an Independent Director;
- To determine annually, or whenever necessary during the year, whether or not a Director is independent, bearing in mind the circumstances set forth in guideline 2.3 of the CCG and any other salient factors; and
- To evaluate the performance of the Board and the contributions from the Directors on a year to year basis.

CORPORATE GOVERNANCE

Selection, appointment and re-appointment of directors

In the search for new Directors, the NC will identify the key attributes that an incoming Director should have based on the requirements of the Group, its nature of business, attributes of the existing Board members and Board diversity. After the Board has endorsed the key attributes, the search for potential candidates begin by first tapping on existing Directors' personal contacts and recommendations of business associates, followed by a shortlisting process by the NC. The NC interviews the shortlisted candidates, before making recommendations for further interview or approval by the Board. Should a controlling shareholder nominates a candidate as a Non-Executive and Non-Independent Director, the NC will perform an independent assessment as to whether he/she has the appropriate attributes to be a Director of a listed company prior to approval by the Board.

For re-appointment of Directors as and when their tenure of appointment is due, the NC evaluates several criteria including, qualifications and independence of the Director, and his/her contribution and performance to the effectiveness of the Board.

The Company has adopted the recommendations set out in the CCG with respect to the re-nomination and re-election of Directors; all Directors of the Company are subject to re-nomination and re-election at regular intervals and at least once every three years.

The NC is also tasked with deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director, particularly when he has multiple board representations, and to assess the maximum number of listed entity board representations which any one of the Directors may hold.

After conducting reviews, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group and the multiple directorships of the IDs do not affect their performance as IDs of the Company.

Details of the appointment of Directors including date of initial appointment and date of last re-election and directorships in listed companies, both current and for the preceding three years, are set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Present and Past Directorship in Listed Companies
Mr. Tan Kheng Hwee Andrew	01/04/1994	25/04/2016	–
Mr. Voon Yok Lin	21/06/2017	–	–
Mr. Bruno Sergio Valsangiacomo	11/02/1997	25/04/2016	–
Mr. Marcel Poser	24/04/2015	25/04/2016	–
Prof. Yong Kwet Yew	19/08/1997	21/04/2017	Tritech Group Limited
Ms. Luk Ka Lai Carrie	24/09/1997	21/04/2017	Tiong Woon Corporation Holding Ltd
Mr. Soh Gim Teik	08/08/2008	24/04/2015	KS Energy Limited QAF Limited ⁽³⁾ UMS Holdings Limited ⁽³⁾
Mr. Romano William Fanconi ⁽¹⁾	24/04/2015	–	–
Mr. Voon Chet Chie ⁽²⁾	21/06/2017	–	–

⁽¹⁾ Alternate Director to Mr. Marcel Poser

⁽²⁾ Alternate Director to Mr. Voon Yok Lin

⁽³⁾ Past directorships in the preceding three years

All retiring Directors are subject to an assessment by their peers and NC on factors such as level of participation and effectiveness at meetings, depth of industry experience and business knowledge. Based on the assessment collated, the NC would recommend re-election of the retiring Directors at each annual general meeting.

In accordance with the Constitution of the Company, the following Directors are due to retire at the AGM:

Mr. Soh Gim Teik (pursuant to Article 117)

Mr. Marcel Poser (pursuant to Article 117)

Mr. Voon Yok Lin (pursuant to Article 121)

The NC has recommended Mr. Soh Gim Teik, Mr. Marcel Poser and Mr. Voon Yok Lin (saved for Mr. Soh Gim Teik who has abstained from the evaluation and voting of his own nomination) for re-election as Directors of the Company at the AGM. In making its recommendations, the NC evaluates their contributions and performance at the Board, participation and any special contributions.

If re-elected at the AGM, Mr. Soh Gim Teik, being an Independent Non-Executive Director, will remain as the Chairman of the Investment Committee, and a member of the Audit Committee and Nomination Committee.

If re-elected at the AGM, Mr. Marcel Poser will remain as a Non-Executive Director of the Company.

Mr. Voon Yok Lin who was appointed an Executive Director of the Company on 21 June 2017 shall retire from the Board pursuant to Article 121 of the Company's Constitution. If re-elected at the AGM, Mr. Voon Yok Lin will remain as an Executive Director of the Company.

Alternate Directors

Mr. Marcel Poser has appointed Mr. Romano William Fanconi as his Alternate Director on 24 April 2015 to facilitate full board attendance and representation by the controlling shareholder, BBR Holding AG, Switzerland at each Board meeting. Mr. Marcel Poser is a foreign Non-Executive Director and his alternate shall attend Board meetings should he be unable to do so. Mr. Romano William Fanconi was appointed after the NC and the Board had reviewed and concluded that he would similarly have qualified as a Non-Executive Director. He bears all the duties and responsibilities of a Director.

Similarly Mr. Voon Yok Lin has appointed his son, Mr. Voon Chet Chie as his Alternate Director on 21 June 2017. Mr. Voon Chet Chie has building and construction experience in both public and private sectors in Malaysia and is currently the Manager for Special Task in the Malaysia subsidiary, BBR Construction Systems (M) Sdn. Bhd. With his qualification, experience and the industry knowledge that he possesses, the NC and the Board had approved his appointment as an Alternate Director.

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.

An annual board evaluation process has been implemented by the NC for assessing the effectiveness of the Board as a whole and the contribution and performance by an individual Director to the effectiveness of the Board. The assessment parameters which had been approved by the Board include the Board's composition, individual Director's competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, contributions to the Board and long-term strategies of the Company. Changes, if any, to the assessment parameters is justified by the Board.

Based on the evaluation for 2017, the NC is satisfied that the Directors have shown commitment and devoted sufficient time in discharging their responsibilities adequately towards the Group, notwithstanding that some of the Board members have multiple board representations. Since multiple board representations do not hinder them from carrying out their duties as Directors of the Company, the Board has not set a maximum limit on the number of listed companies' board representations for its Directors.

No external consultant has been engaged to facilitate the annual board evaluation process.

CORPORATE GOVERNANCE

The Board and the NC strive to ensure that Directors on the Board possess the experience and knowledge that are critical to the Group's business, and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. However, where individual Director's evaluation is unfavourable, the Chairman shall, in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of the subject Director.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

In order to ensure that the Board is able to fulfil its responsibilities, the Management is required to provide timely information on matters that require the Board's decision and reports on material operational and financial matters of the Group. The Directors also have unrestricted access to the Company's records and information.

The Management makes available to the Board quarterly management accounts, including explanations for variances between projection and actual results, annual budget reports, and yearly review of business segments and prospects. Other material information, such as board papers, SGXNET announcements and press releases, are furnished on a regular and timely basis to enable the Board to discharge its duties and responsibilities.

The Board has separate and independent access to the Management, the company secretary and internal and external auditors on all matters whenever they deem necessary.

The role of the company secretary is defined and includes responsibility for ensuring that board procedures are followed and that relevant statutes, applicable rules and regulations are complied with. The Company Secretary or a representative from the Company Secretary's office attends all meetings of the Board and Board Committees as well as general meetings. The Board decides on the appointment and removal of the company secretary.

The Board has a procedure for Directors, either individually or as a group, in the furtherance of their duties and responsibilities, to take independent professional advice, if necessary, at the Company's expense.

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.

The Remuneration Committee ("RC") comprises three Non-Executive Directors, with two of its members, including the Chairman, being Independent Directors. They are:

Prof. Yong Kwet Yew - Chairman

Mr. Bruno Sergio Valsangiacomo

Ms. Luk Ka Lai Carrie

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his own remuneration.

The duties and responsibilities of the RC include:

- review and recommend to the Board a framework of remuneration and the specific remuneration packages for each Director and the CEO (or executive of equivalent rank if the CEO is not a Director). Remuneration includes, but is not limited to director's fees, salaries, allowances, bonus, options, share-based incentives and benefits in kind; and
- review and recommend the remuneration of senior management of the Company.
- The RC also reviews the termination clause of the service contracts of the CEO and senior management to ensure that it is fair and reasonable and not overly generous. The RC approves salary adjustments and bonuses of the CEO and senior management at each year-end. Recommendations from the RC are submitted to the entire Board for endorsement.
- The RC deems unnecessary to seek expert advice on remuneration to Directors. In its deliberations, the RC takes into consideration industry practices and norms in compensation, in addition to the Company's relative performance to the industry.

The Board has reviewed the composition of the RC which comprises entirely Non-Executive Directors to minimise the risk of any potential conflict of interest. Although Mr. Bruno Sergio Valsangiacomo, a member of the RC, is deemed to be a substantial shareholder of the Company, the Board is of the view that the risk for any potential conflict is minimal.

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.

The remuneration structure of the CEO and key executives comprises fixed and variable compensation components. The fixed compensation consists of basic salary and fixed allowances, and variable compensation, in the form of bonus and performance shares. The variable compensation is approved by the RC upon the achievement of corporate and individual performance conditions. The Group has established a long-term incentive scheme via the BBR Share Plan, to retain employees whose contributions are important to the well-being and prosperity of the Group and give due recognition to these outstanding employees. Performance shares granted are vested, subject to the satisfaction of specific performance conditions of the Group and individual service condition on vesting dates over a period of time.

No personnel is entitled to termination, retirement and post-employment benefits. The Company has not structured any contractual provisions in employee appointment letters to reclaim incentive components of remuneration in exceptional circumstances of mis-statements of financial results or misconduct resulting in financial loss to the Company. If such events were to occur, it shall avail itself to existing legal remedies to recover excessive incentives paid.

The Independent Directors and Non-Executive Directors are paid directors' fees only, the value of which have taken into consideration the Director's scope and extent of responsibilities and benchmarked against market expectations. Accordingly, the RC views that directors' fees of Non-Executive Directors are not over-compensated. The yearly fees are recommended by the RC, endorsed by the Board and will be subject to approval by members of the Company at each annual general meeting. Travelling and accommodation expenses of overseas Non-Executive Directors to board and general meetings in Singapore are reimbursed by the Company.

CORPORATE GOVERNANCE

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.

Directors of the Company

The remuneration bands and components in percentage terms of the Directors' remuneration based on amounts received in financial year 2017 are as follows:

Name of Director	Basic salary	Variable performance bonus	Benefits-in-kind and others	Director's fee	Total
	%	%	%	%	%
Above \$750,000 and below \$1,000,000					
Mr. Tan Kheng Hwee Andrew	78	15	4	3	100
Below \$250,000					
Mr. Voon Yok Lin	86	4	4	6	100
Mr. Voon Chet Chie ⁽¹⁾	88	12	—	—	100
Mr. Bruno Sergio Valsangiacomo	—	—	—	100	100
Mr. Marcel Poser/ Mr. Romano William Fanconi ⁽²⁾	—	—	—	100	100
Prof. Yong Kwet Yew	—	—	—	100	100
Ms. Luk Ka Lai Carrie	—	—	—	100	100
Mr. Soh Gim Teik	—	—	—	100	100

⁽¹⁾ Alternate Director to Mr. Voon Yok Lin

⁽²⁾ Alternate Director to Mr. Marcel Poser

The Board is of the view that due to competitive reasons, the total remuneration of each Director is not disclosed.

The Directors' fees for financial year 2016 amounted to \$280,000.00 were paid in financial year 2017 after approval by the members at the annual general meeting held on 21 April 2017.

Key Executives

Key executives' compensation consists of salary, bonus and performance share awards that are dependent on the performance of the Group and individual performance.

The remuneration bands and components in percentage terms of the top five key executives are as follows:

Remuneration Band	Number of key executives	Basic salary	Variable performance bonus	Benefits-in-kind and others	Total
		%	%	%	%
\$250,000 to below \$500,000	2	89	11	—	100
Below \$250,000	3	92	8	—	100

The Board is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure of the compensation for top key executives is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the employees of the Group.

The annual aggregate remuneration paid to the top five key executives (excluding the CEO) for the financial year 2017 is approximately \$1,241,000.

Immediate Family Members of Director, Chief Executive Officer or Substantial Shareholder

There was no employee who is an immediate family member of a Director, Chief Executive Officer or Substantial Shareholder of the Company and whose remuneration exceeds S\$50,000 for the financial year ended 31 December 2017.

The BBR Share Plan

The Company has a share plan known as "The BBR Share Plan" (the "Plan") which was approved by members at the Extraordinary General Meeting held on 28 April 2010. Employees (including Executive Directors) of the Company and its subsidiaries and Non-Executive Directors of the Company are eligible to participate in the Plan. Controlling shareholders and their associates (as defined in the Plan) are not eligible to participate in the Plan.

The BBR Share Plan Committee comprises three Directors who have been appointed to administer the Plan.

Prof. Yong Kwet Yew – Chairman

Mr. Bruno Sergio Valsangiacomo

Mr. Tan Kheng Hwee Andrew

Directors in the BBR Share Plan Committee who are eligible to participate in the Plan abstain from discussions relating to their own performance and award of performance shares.

Information relating to the Plan are disclosed in the Directors' Statement on page 26.

Accountability

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

The Board is accountable to Shareholders while the Management is accountable to the Board. The Board is mindful of its obligations to furnish timely information and to ensure full disclosure of material information in compliance with the requirements of the SGX-ST Listing Manual. Price sensitive information is publicly announced before it is communicated to any other interested person.

In presenting the annual and quarterly financial statements to Shareholders, it is the aim of the Board to provide a detailed analysis and a balanced and understandable assessment of the Group's performance, financial position and prospects. Further to the above, the quarterly financial statements of the Group are also signed by the Managing Director and the Chairperson of the Audit Committee, for and on behalf of the Board, confirming that it is to the best of the Board's knowledge that nothing has come to the attention of the Board, which may render the announcements relating to the Group's quarterly financial statements to be false or misleading in any material aspects. The directors' statements of the Company are also signed by the Managing Director and the Chairperson of the Audit Committee. Further to the above, the Company also completes and submits compliance checklists to SGX (if applicable and when required) to ensure that all announcements, circulars or letters to Shareholders comply with the requirements set out in the SGX-ST Listing Manual.

CORPORATE GOVERNANCE

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.

In 2013, the Board established a Risk Management Committee ("RMC") which reports to the Audit Committee ("AC") to oversee all aspects of risk governance. The RMC has developed BBR's enterprise risk register, which involved identifying and evaluating key business risks, likely consequences should the event occur and mitigating controls in place to manage these risks. More importantly, the RMC's role is to constantly monitor identified risks and pre-empt new risks in a dynamic operating environment.

The members of the RMC comprises directors of key operating units of the Group.

The Risk Management Report is on pages 124 to 129.

The Board and the AC are satisfied that there are adequate and effective material internal controls in place for the Group to address financial, operational, compliance and information technology risks after considering the following:

- The Board, through the AC, is responsible for oversight of the risk management responsibilities, internal controls and governance processes delegated to management;
- Internal auditors ("IA") plans its internal audit schedules independently in consultation with the management on an annual basis and submits the internal audit plan to the AC for approval. The AC also meets with the IA at least once a year without the presence of the management to gather feedback on management's level of cooperation and other matters that warrant the AC's attention. All internal audit reports are submitted to the AC for deliberation with copies of these reports extended to the relevant senior management for prompt corrective actions as recommended. Furthermore, IA's summary of findings, recommendations and updates on management actions taken are discussed at the quarterly AC meetings together with the external auditors;
- The AC reviews the audit plans of the external auditors of the Company and ensures the adequacy of controls for the accounting system. The AC held discussions with the management and the auditors on the observations of the auditors in the management letter. The AC was generally satisfied with the management's responses during the discussions and suggested improvements, where appropriate;
- The AC reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Group and the Company together with the external auditors and management before their submission to the Board of Directors;
- The AC evaluates the effectiveness of the Group and the Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the IA and observations of the external auditors;
- The AC reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual;
- The AC and the Board are satisfied that policies and procedures for key business processes had been established. These include ISO procedures, financial policies, standard operating procedures, conflict of interest policy and a whistle blowing mechanism;
- For financial year 2017, the CEO and Chief Financial Officer ("CFO") have given their assurance on the integrity of the financial statements of the Group and the Company and that the financial statements give a true and fair view of the state of affairs of the Group and the Company, and an effective risk management and internal control systems has been put in place; and
- All Directors and executive officers have submitted undertakings that they have complied with Rule 720(1) of the SGX-ST Listing Manual.

The system of internal controls maintained by the management is adequate and effective to meet the needs of the current business environment. However, the Board notes that the review of the Group's systems of internal control is a continuing process and there is always room for improvement having regard that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, natural disasters, losses, fraud or other irregularities. The system of internal controls adopted by the Group is therefore designed to manage rather than eliminate the risk of failure to achieve business objectives.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three Independent Directors, namely:

Ms. Luk Ka Lai Carrie – Chairperson
Prof. Yong Kwet Yew
Mr. Soh Gim Teik

Ms. Luk Ka Lai Carrie, the AC Chairperson and Mr. Soh Gim Teik are well qualified to discharge their duties, with their combined practical and relevant accounting and financial management expertise and experience.

None of the AC members were ever previous partners of the Company's external auditor, Ernst & Young LLP, nor do they have any financial interest in the accounting entity.

The duties and responsibilities of the AC include those described in the Companies Act, Chapter 50 and the CCG. The main responsibilities include:

- Review the audit plan of the external auditors;
- Review scope and results of the audit and its cost effectiveness, and independence and objectivity of the external auditors;
- Review the Group's financial and operating results and accounting policies;
- Evaluate the Group's systems of internal accounting controls;
- Review the audit plan of internal auditors and the scope and results of their review;
- Review the adequacy and effectiveness of the internal audit function and ensure co-ordination between the internal and external auditors and the Management;
- Review and make recommendations to the Board on the re-appointment of external auditors of the Company and the Group;
- Approve remuneration of external auditors;
- Review the consolidated financial statements of the Group before submission to the Board together with the external auditors' report on those financial statements;
- Review the quarterly and annual announcements as well as the related press releases on the results and financial position of the Group before submission to the Board for approval for release to SGX-ST; and
- Review interested person transactions to ensure that each has been conducted on an arm's length basis.

The AC has explicit authority to investigate any matter within its charter, full access to and co-operation by management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The CEO and the CFO were invited to attend meetings of the AC to report and brief the Committee on the financial and operational performance of the Group and answer queries raised by the AC.

CORPORATE GOVERNANCE

The AC has reviewed the quarterly and full-year financial statements of the Group in conjunction with the report issued by external auditors before announcements on SGXNET. The following significant matter was highlighted by external auditors as key audit matter (KAM) for the financial year ended 31 December 2017, which was discussed with management and reviewed by the AC.

Significant matter	How the AC reviewed the matter and what decision was made
Revenue recognition on construction contracts	<p>The AC reviewed the approach and methodology applied to the revenue recognition on construction contracts. The AC considered the approach and methodology adopted by the Group to be appropriate for its nature of business and they are in line with prevailing accounting standards and business practices, and with reference to professional surveys of work performed and certification by third parties where applicable.</p> <p>Revenue recognition on construction contract was an area of focus for the external auditor, who has included this item as a key audit matter in its audit report for the financial year ended 31 December 2017.</p>

Details on the KAM can be found on pages 29 and 30 of the Independent Auditor's Report.

The AC has reviewed the work performed by the external auditors, Ernst & Young LLP, after taking into consideration the relevant guidelines issued to the Audit Committees by Singapore Exchange Trading Limited and/or the Singapore Accounting & Corporate Regulatory Authority.

After taking into consideration the adequacy of the resources and experience of Ernst & Young LLP (including the audit partner in charge of auditing the Company), the other audit engagements of Ernst & Young LLP, the number and experience of supervisory and professional staff assigned to review the Group as well as the Group's size and structure, the Audit Committee and the Board are of the view that Ernst & Young LLP has been able to assist the Company in meeting its audit obligations.

The Company engages Ernst & Young LLP for all its Singapore incorporated subsidiaries, associate and joint venture companies as well as significant foreign-incorporated subsidiaries.

Accordingly, the Company is in compliance with Rules 712 and 715 of the SGX-ST Listing Manual.

In accordance with Rule 1207(6) of the SGX-ST Listing Manual, the audit fees paid to Ernst & Young LLP for their audit and non-audit services for the financial year ended 31 December 2017 amounted to \$245,000 and \$35,000 respectively.

The AC has conducted an annual review of non-audit services provided by the external auditors to the Group and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

The AC is satisfied with the independence and objectivity of the external auditors and recommends to the Board the nomination of the external auditors for re-appointment.

The AC meets the external auditors without the presence of the management annually. The external auditors have attended AC meetings held during the financial year to present their audit reports, where applicable.

The Company has in place a whistle-blowing framework which serves to encourage and provide a channel whereby employees may, in good faith and in confidence, raise concerns about possible improprieties in financial reporting and other concerns, to ensure independent investigation of such matters and appropriate follow-up action. There have been no reported incidents pertaining to whistle-blowing for the financial year 2017.

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 established an internal audit function that is independent of the activities it audits. The internal audit function is presently outsourced and conducted by One e-Risk Services Pte Ltd, a professional risk advisory company. Their appointment, removal, evaluation and compensation are approved by the AC. The Company has given the IA full access to its documents, records, premises and personnel in the course of their work.

The internal audit function is independent and reports directly to the AC. To ensure the adequacy of the internal audit function, the AC meets at least once a year to review the internal audit findings and to approve the annual internal audit plans. Annual reviews are conducted on the adequacy and effectiveness of the Company's risk management and internal control systems, which may include financial, operational, compliance and information technology controls. The members of the AC have unrestricted access to the IA on all matters whenever they deem necessary and have met the IA without the presence of the Management at least once annually.

The IA meets the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC has reviewed the adequacy of the Company's internal audit functions and is satisfied that it is adequately resourced and has appropriate standing within the Company.

The AC will continue to review the adequacy of the internal audit function annually.

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 Directors and management are mindful of the obligation to provide shareholders with information on all major developments and other material information that affects the Group on a timely basis. The Company does not practice selective disclosure of material information.

Information is communicated to shareholders on a timely basis through:

- SGXNET announcements and press releases;
- Quarterly results and annual reports are broadcast via SGXNET within the prescribed period; and
- the Company's website at <http://www.bbr.com.sg>

Shareholders can access both general information such as business activities, project history, as well as investor-related information on the Group via the Company's website.

Shareholders are notified of general meetings within the prescribed period before the scheduled date of such meetings via notices in annual reports or circulars, announcements on SGXNET and advertisements in the Business Times. Members are entitled to attend all general meetings so as to participate effectively and vote. They are informed of the rules, including voting procedures that govern general meetings of members at the commencement of each meeting.

Nominee companies and custodial banks holding BBR shares are entitled to appoint more than two proxies to attend and vote at general meetings.

CORPORATE GOVERNANCE

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 Directors and management of the Company continue to place a strong emphasis on its investor relations efforts to engage and strengthen relationships with shareholders. It believes that regular, timely, effective and fair communication with shareholders is part of good corporate governance practices.

The Investor Relations team communicates with financial analysts to update them on the latest corporate development and at the same time address their queries, if any. The CEO and CFO may hold analysts' briefings on the Company's financial results and business updates after they have been announced on SGXNET. Interviews with the appropriate media are also organised from time to time.

The Company's website at www.BBR.com.sg, particularly in the investor relations section from which Shareholders can access, provides all publicly announced financial information, corporate announcements, press releases and annual reports which shareholders can access at anytime.

Although the Company does not have a fixed dividend policy in place, it has been paying dividends to shareholders annually since 2009, after setting aside sufficient funds for investments, capital expenditure, equity contribution for property development projects, working capital and other requirements as the Board may deem fit for the best interests of the Company and the Group.

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 general meetings, annual general meetings and extraordinary general meetings are principal forums for dialogue with shareholders and venues for shareholders to express their views on various matters affecting the Company and to stay informed of the Group's strategy and goals. Shareholders and members are encouraged to participate in the meetings by raising relevant questions or to seek clarification on the motions to be debated and decided upon. According to the Company's Constitution, a shareholder who is entitled to attend and vote at general meetings may either vote in person or appoint not more than two proxies to attend and vote on his behalf. Where shares are held via a nominee or custodial services for securities, more than two proxies may be appointed to attend and vote at the general meetings.

The chairpersons of the respective committees, if possible, are present and available to address questions at general meetings. The external auditors are invited to general meetings, in particular, the annual general meetings, to assist the Directors in addressing any relevant queries by the members.

There are separate resolutions at general meetings on each substantially separate issue, with provision of explanatory notes in the notice of meeting. All resolutions tabled at general meetings are voted by poll in the presence of Scrutineers from One e-Risk Services Pte Ltd. Results of the polling is made known to members before the meeting is concluded and announced on the SGXNET immediately after the meeting.

ADDITIONAL INFORMATION

Dealings in the Company's Shares (Rule 1207(19) of the SGX-ST Listing Manual)

The Company has adopted policies in line with the requirements of the listing rules of SGX-ST on dealings in the Company's securities. All officers and employees of the Group are not allowed to deal in the Company's shares while in possession of unpublished price-sensitive information and on short-term considerations, and during the period commencing two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full year financial statements.

Risk Management Policies and Processes (Rule 1207(4)(b)(iv) of the SGX-ST Listing Manual)

The Group's overall risk management policy aims to minimise potential adverse effects on the financial performance of the Group. The Group has adopted risk management policies and processes that seek to mitigate these risks in a cost-effective manner.

Information on risk management, policies and processes are disclosed in the financial statements as well as Risk Management Report on pages 124 to 129.

Material Contracts (Rule 1207(8) of the SGX-ST Listing Manual)

There were no material contracts entered into by the Company and its subsidiaries in financial year 2017 which involved the interests of the CEO, any Director or controlling shareholders of the Company, except as disclosed in the financial statements.

Interested Person Transactions (Rule 907 of the SGX-ST Listing Manual)

No general mandate has been obtained for interested person transactions pursuant to Rule 920(1) of the SGX-ST Listing Manual. The aggregate value of interested persons transactions carried out during the financial year by the Group was as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
	\$'000	\$'000
BBR VT International Ltd (A related corporation of BBR Holding AG, Switzerland, a controlling shareholder of the Company)	906	—

The above interested persons transactions were carried out on arm's-length basis.

Sustainability Report (Rules 711A and 711B of the SGX-ST Listing Manual)

The Company will release the Sustainability Report via SGXNET at a later date. A copy will also be made available on the Company's website at www.BBR.com.sg.