Illustrative corporate governance report
Illustrative corporate governance report

Preface

With effect from financial year commencing on or after 1 November 2012, listed companies are required to disclose in their annual reports, corporate governance practices with reference to the revised Code of Corporate Governance (2012 Code) which supersedes the existing Code of Corporate Governance.

Listed companies are required under the Singapore Exchange Securities Trading Limited's listing rule to describe their corporate governance practices with specific reference to the principles of the 2012 Code and give explanations for deviations from any guidelines in the 2012 Code in their annual reports.

The illustrative corporate governance report serves to provide illustration of the disclosure of corporate governance practices with specific reference to the principles and guidelines of the 2012 Code.

The disclosure of corporate governance is expected to vary from company to company and should be tailored to suit the particular circumstances of each reporting entity. The disclosures and commentaries in this corporate governance report are not meant to be exhaustive. Reference should be made to the 2012 Code for specific disclosure requirements.
XYZ Holdings (Singapore) Limited (the Company) and its subsidiaries (the Group) is committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited (SGX-ST)'s listing rule. The Group has complied with all principles and guidelines set out in the Code of Corporate Governance.

This report describes the Group’s corporate governance practices that were in place throughout the financial year ended 31 December 2013 (FY2013). As part of the continuous effort to improve the risk governance framework, the Risk Management Committee was established in February 2013 to oversee the adequacy and effectiveness of the Group’s risk management framework and policies.

Commentary:

Positive confirmation

Companies should make a positive confirmation at the start of the corporate governance section of the annual report that they have adhered to the principles and guidelines of the revised Code of Corporate Governance issued in 2012 (2012 Code), or specify each area of non-compliance.

A. BOARD MATTERS

Principle 1: The Board’s conduct of its affairs

The primary function of the Board of Directors (the Board) is to provide effective leadership and direction to enhance the long-term value of the Group to its shareholders and other stakeholders. The Board oversees the business affairs of the Group. The Board has the overall responsibility for reviewing the strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, and corporate governance practices.

In addition, the principal duties of the Board include:
- Setting the Group’s strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Overseeing the process for evaluating the adequacy of internal control, risk management, financial reporting and compliance.
- Appointing the Group CEO and approving the remuneration policies and guidelines for the Board and senior management.
- Reviewing the performance of senior management and overseeing succession planning for senior management.
- Setting the Group’s values and standards (including ethical standards) and ensuring that obligations to shareholders and other stakeholders are understood and met.
- Considering sustainability issues, e.g., environmental and social factors, as part of the strategic formulation.
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**Independent judgement**

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is one of the performance criteria for the peer and self assessment on the effectiveness of the individual directors.

The current members of the Board and their membership on the board committees of the Company are as follows:

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Board appointments</th>
<th>Board committees as Chairman/Chairperson or member</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Executive director</td>
<td>Non-executive director</td>
</tr>
<tr>
<td>Ang Beng Choo (Chairman)</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>De Silva Elizabeth Frances (CEO)</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Goh Hock Inn</td>
<td>✓</td>
<td></td>
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<tr>
<td>Jee Kim Leng</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Musa Nasir Osman</td>
<td>✓</td>
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<tr>
<td>Pek Que Ru</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>See Tong Tong</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Vellaisamy W Y</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Eileen Aw Bee Chin</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Delphi Michelle</td>
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<td>✓</td>
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</tbody>
</table>

The present Board comprises ten members. There is a strong and independent element on the Company’s Board. Of the ten Board members, eight are non-executive and seven are independent directors.
Delegation by the Board

The Board has delegated certain functions to various board committees, namely the Audit Committee (AC), Nominating Committee (NC), Remuneration Committee (RC) and Risk Management Committee (RMC). Each of the various board committees has its own written terms of reference and whose actions are reported to and monitored by the Board. The Board accepts that while these various board committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

Key features of board processes

The dates of Board and board committee meetings as well as annual general meeting (AGM) are scheduled one year in advance. To assist directors in planning their attendance, the Company Secretary consults every director before fixing the dates of these meetings. The Board meets at least six times a year and as warranted by particular circumstances. Ad hoc meetings are also convened to deliberate on urgent substantive matters. Telephonic attendance and conference via audio-visual communication at Board and board committee meetings are allowed under the Company’s Articles of Association. The details of the number of Board meetings and board committees held in the year as well as the attendance of each board member at those meetings are disclosed below.

Directors’ attendance at Board and board committee meetings in FY2013

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Board Meetings</th>
<th>Audit Committee Meetings</th>
<th>Nominating Committee Meetings</th>
<th>Remuneration Committee Meetings</th>
<th>Risk Management Committee Meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. held</td>
<td>No. attended</td>
<td>No. held</td>
<td>No. attended</td>
<td>No. held</td>
</tr>
<tr>
<td>Ang Beng Choo</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>De Silva Elizabeth Frances</td>
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<tr>
<td>Goh Hock Inn</td>
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<td>-</td>
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<tr>
<td>Jee Kim Leng</td>
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<td>8</td>
<td>6</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Musa Nasir Osman*</td>
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<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pek Que Ru</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td>See Tong Tong</td>
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<td>8</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vellaisamy W Y</td>
<td>8</td>
<td>8</td>
<td>-</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Eileen Aw Bee Chin</td>
<td>8</td>
<td>8</td>
<td>-</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Delphine Michelle</td>
<td>8</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>3</td>
</tr>
</tbody>
</table>

* Appointed as director on 2 February 2013.
Board approval

The Group has adopted and documented internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:

- Strategies and objectives of the Group;
- Annual budgets and business plan;
- Announcement of quarterly and full year results and release of annual reports;
- Issuance of shares;
- Declaration of interim dividends and proposal of final dividends;
- Convening of shareholders’ meetings;
- Investment, divestments or capital expenditure exceeding S$1 million;
- Commitments to terms loans and lines of credits from banks and financial institutions; and
- Interested person transactions.

Apart from the matters that specifically require the Board’s approval, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to management so as to optimise operational efficiency.

Induction and training of directors

The Group conducts a comprehensive orientation programme, which is presented by the CEO and senior management, to familiarise new directors with business and governance policies. The orientation programme gives directors an understanding of the Group’s businesses to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with senior management, thereby facilitating board interaction and independent access to senior management.

The newly appointed director for FY2013, Mr. Musa Nasir Osman, was given a detailed and in-depth briefing and induction into the Group by the CEO as well as senior management. He was given a tour and briefing of key facilities and activities of the Group, as well as a detailed presentation by key senior management covering the structure, business and governance practices, growth strategies of the Group and an overview of key business risks, issues and challenges the Group faces.

A copy of the Group’s manual containing policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Group, prohibition of dealings in the Company’s securities, restrictions on the disclosure of price-sensitive information, corporate governance and risk management was also provided to Mr. Musa Nasir Osman.

Briefings, updates and trainings provided for directors in FY2013

The NC reviews and makes recommendations on the training and professional development programs to the Board.

On a quarterly basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The CEO updates the Board at each meeting on business and strategic developments of the Group.

As part of the Company’s continuing education for directors, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Group’s business to keep directors updated on current industry trends and issues. News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to directors are also circulated to the Board.
The particulars of training programmes attended by the directors, as arranged and funded by the Group during FY2013 are as follows:

- Two-day “Inaugural International Symposium on Catastrophe Risk Management” organised by ABC University.
- Four-day conference on “Making Corporate Boards More Effective” organised by the DEF School.
- Seminar on “Directors’ Responsibilities in respect of Annual Report and Circulars” organised by the Singapore Institute of Directors.
- Seminar on “Proposed amendment to Companies Act” organised by J KL.
- Seminar on “Changes to the Financial Reporting Standards and Code of Corporate Governance” organised by MNO.

**Commentary:**

**Induction and training of directors**

The 2012 Code introduces a new Guideline to expressly state that the company should be responsible to:

- Arrange and fund the training for new and existing directors.
- Disclose the induction, orientation and training provided to new and existing directors in the annual report.

**Formal letter setting out the director’s duties and obligations**

Upon appointment of each director, the company should provide a formal letter to the director, setting out the director’s duties and obligations.

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**A. BOARD MATTERS**

**Principle 2: Board composition and guidance**

**Board size and board composition**

The Board comprises ten directors. Excluding the CEO and Mr. Goh Hock Inn, all directors are non-executive, including the Chairman.

Each year, the NC reviews the size and composition of the Board and board committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. These competencies include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group’s businesses and the number of board committees, the Board considers a board size of between nine to eleven members as appropriate. The Board believes that the current composition and size provides sufficient diversity without interfering with efficient decision-making. The directors’ academic and professional qualifications are presented in pages [x] to [x] of the annual report.
**Directors’ independence review**

Director who has no relationship with the Group, 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 Group, is considered to be independent.

The NC 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 Guidelines set forth in the Code of Corporate Governance and any other salient factor which would render a director to be deemed not independent. For the purpose of determining directors’ independence, every director has provided declaration of their independence which is deliberated upon by the NC and the Board.

After taking into account the views of the NC, the Board considers that the following directors are regarded as non-independent directors of the Company:

<table>
<thead>
<tr>
<th>Name of directors</th>
<th>Reasons for non-independence</th>
</tr>
</thead>
<tbody>
<tr>
<td>De Silva Elizabeth Frances</td>
<td>As CEO of the Group, Mrs. De Silva Elizabeth Frances is employed by the Group.</td>
</tr>
<tr>
<td></td>
<td>Mrs. De Silva Elizabeth Frances is also deemed not independent as she holds more than 10% of the Company’s voting shares.</td>
</tr>
<tr>
<td>Goh Hock Inn</td>
<td>Mr. Goh Hock Inn is employed as a Marketing Manager of the Group.</td>
</tr>
<tr>
<td></td>
<td>Mr. Goh Hock Inn is also deemed not independent as his daughter is employed by XYZ Technologies Pte Ltd, a subsidiary of the Group, as a Financial Controller and her remuneration is determined by the RC.</td>
</tr>
<tr>
<td>Musa Nasir Osman</td>
<td>Mr. Musa Nasir Osman is deemed not independent as he was a Managing Partner with more than 10% interest in ABC Law Firm prior to his retirement from ABC Law Firm in January 2013. The Group has received material consultancy and legal services from ABC Law Firm during FY2012.</td>
</tr>
</tbody>
</table>

Save for the abovementioned directors, all the other directors on the Board are considered by the NC and the Board to be independent directors.

The Board also recognises that independent directors may over time develop significant insights in the Group’s business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. When there are such directors, the Board will do a rigorous review of their continuing contribution and independence and may exercise its discretion to extend the tenures of these directors. Presently, Mr. See Tong Tong has served as an independent director of the Company for more than nine years since his initial appointment in 2003. The Board has subject his independence to a particularly rigorous review.

Taking into account the views of the NC, the Board concurs that Mr. See Tong Tong continued to demonstrate strong independence in character and judgement in the discharge of his responsibilities as a director of the Company. He has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged management. He has sought clarification and amplification as he deemed required, including through direct access to the Group’s employees.

Further, having gained in-depth understanding of business and operating environment of the Group, he provides the Company with much needed experience and knowledge of the industry. Based on the declaration of independence received from Mr. See Tong Tong, he has no association with management that could compromise his independence.

After taking into account all these factors, and also having weighed the need for Board’s refreshment against tenure for relative benefit, the Board has determined Mr. See Tong Tong continues to be considered an independent director, notwithstanding he has served on the Board for more than nine years from the date of his first appointment.
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Except for Mr. See Tong Tong, none of the directors have served on the Board for a period exceeding nine years from the date of their appointments.

The Board has determined that any director who has served on the Board for more than nine years will be subject to annual re-appointment. Mr. See Tong Tong will therefore be subject to re-appointment at the forthcoming AGM.

The independent directors make up more than one-third of the Board, which exceeds the requirements set out in the Code of Corporate Governance. This provides a strong and independent element on the Board. This is fundamental to good corporate governance as it facilitates the exercise of independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined.

Role of the non-executive directors

The Board and management fully appreciate that an effective and robust Board whose members engage in open and constructive debate, and challenge management on its assumptions and proposals, is fundamental to good corporate governance.

A Board should also aid in the development of strategic proposals and oversee effective implementation by management to achieve set objectives.

For this to happen, the Board and non-executive directors (NEDs), in particular, must be kept well informed of the Group’s businesses and be knowledgeable about the industry the Group operates in.

To ensure that NEDs are well supported by accurate, complete and timely information, NEDs have unrestricted access to management.

The Group has adopted initiatives to put in place processes to ensure that NEDs and have sufficient time and resources to discharge their oversight function effectively. These initiatives include:

- Regular informal meetings are held by management to brief the NEDs on prospective deals and potential developments at an early stage, before formal Board’s approval is sought.

- Periodic information papers and board papers on the latest market developments and trends, and key business initiatives are circulated to NEDs on a timely basis to afford the directors time to review them.

- To provide an opportunity for the NEDs to familiarise themselves with the management team so as to facilitate the Board’s review of the Group’s succession planning and leadership development programme, an annual offsite board strategy meeting is organised for in-depth discussion on strategic issues and direction of the Group. The last board strategy meeting was held in November 2013.

- The Company has also made available on the Company’s premises an office for use by the NEDs at any time for the NEDs to meet regularly without the presence of management.

Guideline 2.1
Guideline 2.7
Guideline 2.8
Commentary:

Definition of director independence

Under Guideline 2.3, a director is deemed non-independent if:

(a) A director is employed by the company or any of its related corporations (i.e., the Company’s holding company, subsidiary or fellow subsidiary) for the current or any of the past three financial years.

(b) A director who has an immediate family member (i.e., the director’s spouse, child, adopted child, step-child, brother, sister and parent) who is employed by the company or any of its related corporations for the current or any of the past three financial years and the immediate family member’s remuneration is determined by the RC.

(c) A director or his immediate family member accepts any significant compensation from the company or any of its related corporations in the current or immediate past financial year, other than compensation for board service.

(d) A director or his immediate family member is related to the external organisations (i.e., hold 10% voting interests, is a partner with 10% or more stakes, is an executive director or director) in the current or immediate past financial year to which the listed company or its subsidiaries made or received
   - significant payments (As a guide, payment of more than S$200,000 in aggregate per financial year is deemed “significant payments”), or
   - material services (which may include auditing, banking, consulting and legal services) in the current or immediate past financial year.

(e) A director holds or is an immediate family member of a person who holds 10% of the total votes attached to the voting shares in the company.

(f) A director is directly associated with a person who holds 10% of the voting shares in the company (i.e., a 10% shareholder) in the current or immediate past financial year.

   "Directly associated" is defined as accustomed or under a formal or informal obligation to act in accordance with a 10% shareholder’s directions, instructions or wishes in relation to the company’s affairs.

   A director will not be considered “directly associated” with a 10% shareholder by reason only of his or her appointment having been proposed by that 10% shareholder.

It is up to the NC and the Board to assess each director’s independence and conclude on whether a director should be considered independent.

The Board should identify in the annual report each director it considers to be independent.

If the Board considers the director as independent in spite of the existence of one or more of the relationships in Guideline 2.3, the Board should disclose in full the nature of the director’s relationship and explain why he should be considered independent.

Transitional period for Principle 2, its Guidelines 2.1, and 2.3 to 2.8 on Board composition changes due to tightened definition of director independence

As a result of the tightened definition of director independence in the 2012 Code, some of the existing “independent” directors may no longer be considered independent. This will trigger a need to change the board composition. The MAS has granted a longer transitional period for listed companies to make board composition changes to comply with Principle 2, its Guidelines 2.1, and 2.3 to 2.8

Listed companies may make the Board composition changes at the AGMs following the end of the relevant financial year commencing on or after 1 November 2012.
## Commentary:

### Timing for determining director independence

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<table>
<thead>
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<tbody>
<tr>
<td>The NC is responsible to determine annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors.</td>
<td>Guideline 4.3</td>
</tr>
</tbody>
</table>

### Determining director independence

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<tbody>
<tr>
<td>The 2012 Code introduces a new Guideline 2.4 which states that if a director has served on the Board beyond nine years from the date of his first appointment, the independence of such director should be subject to particularly rigorous review.</td>
<td>Guideline 2.4</td>
</tr>
<tr>
<td>The Board should take into account the need for progressive refreshing of the Board and explain why any such director should be considered independent.</td>
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</table>

### Board composition

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<tbody>
<tr>
<td>The 2012 Code introduces a new Guideline that independent directors should make up at least half of the Board where:</td>
<td>Guideline 2.2</td>
</tr>
<tr>
<td>(a) The Chairman of the Board and the CEO is the same person;</td>
<td></td>
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<tr>
<td>(b) The Chairman and the CEO are immediate family members;</td>
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<tr>
<td>(c) The Chairman is part of the management team; or</td>
<td></td>
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<tr>
<td>(d) The Chairman is not an independent director.</td>
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<tr>
<td>Where the above circumstances do not apply, independent directors should make up at least one-third of the Board.</td>
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</table>

### Transitional period for Guideline 2.2 on Board composition

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<table>
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<tbody>
<tr>
<td>The MAS has granted a longer transition period of five years to allow sufficient time for listed companies to make changes regarding board composition to comply with the revised Guideline 2.2.</td>
<td></td>
</tr>
<tr>
<td>Listed companies need to comply with the revised Guideline 2.2 at the AGMs following the end of the financial year commencing from 1 May 2016 onwards.</td>
<td></td>
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</tbody>
</table>
A. BOARD MATTERS

Principle 3: Chairman and Chief Executive Officer

The Chairman and CEO functions in the Company are assumed by different individuals. The Chairman, Mr. Ang Beng Choo, is an independent non-executive director, while the CEO, Mrs. De Silva Elizabeth Frances, is an Executive Director.

There is a clear division of responsibilities between the Chairman and CEO, which ensures a balance of power and authority at the top of the Company.

The Chairman:

- Is responsible for leadership of the Board and is pivotal in creating the conditions for overall effectiveness of the Board, board committee and individual director.
- Takes a leading role in the Company’s drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretary and management.
- Approves the agendas for the Board meeting and ensures sufficient allocation of time for thorough discussion of agenda items.
- Promotes an open environment for debates and ensures NEDs are able to speak freely and contribute effectively.
- Exercises control over the quality, quantity and timeliness of information flow between the Board and management.
- Provides close oversight, guidance, advice and leadership to the CEO and management.
- Plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management at AGMs and other shareholder meetings.

The CEO is the highest ranking executive officer of the Group. The CEO is responsible for:

- Running the day-to-day business of the Group, within the authorities delegated to her by the Board.
- Ensuring implementation policies and strategy across the Group as set by the Board.
- Day-to-day management of the executive and senior management team.
- Leading the development of senior management within the Group with the aim of assisting the training and development of suitable individuals for future director roles.
- Ensuring that the Chairman is kept appraised in a timely manner of issues faced by the Group and of any important events and developments.
- Leading the development of the Group’s future strategy including identifying and assessing risks and opportunities for the growth of its business and reviewing the performance of its existing businesses.
Commentary:

Chairman and the CEO are immediate family members

If the Chairman and the CEO are immediate family members, company is required to disclose the relationship between the Chairman and the CEO in the annual report.  

Lead independent director

The 2012 Code introduces a new Guideline that a lead independent director should be appointed where:

(a) The Chairman of the Board and the CEO is the same person;
(b) The Chairman and the CEO are immediate family members;
(c) The Chairman is part of the management team; or
(d) The Chairman is not an independent director.

The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the CFO has failed to resolve or is inappropriate.

The lead independent director should meet periodically with the other independent directors without the presence of the other directors. The lead independent director should provide feedback to the Chairman after such meeting.

The lead independent director should also sit as a member of the NC.

Illustrative disclosure where lead independent director is appointed:

The Board appointed Mr. ABC to act as the lead independent director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, CEO or CFO has failed to provide satisfactory resolution, or when such contact is inappropriate. All the independent directors, including lead independent director, meet at least annually without the presence of other executive and non-independent directors to discuss matters of significance which are then reported to the Chairman accordingly.
A. BOARD MATTERS

Principle 4: Board membership

NC composition
The NC comprises the following three members, all of whom are independent non-executive directors:

- Eileen Aw Bee Chin (NC Chairperson)
- Pek Que Ru
- Vellaisamy W Y

The NC, which has written terms of reference, is responsible for making recommendations to the Board on all board appointments and re-appointments. The key terms of reference of the NC include the following:

- Review and recommend to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable).
- Review the skills required by the Board, and the size of the Board.
- Ensure that the Company adheres to the board composition rules, including having independent directors make up 50% of the Board under certain circumstances.
- Evaluate whether or not a director is able to and has been adequately carrying out his/her duties as director of the Company, when he/she has multiple board representations.
- Develop a process for evaluating the performance of the Board, its board committees and the contribution of each director.
- Formal assessment of the effectiveness of the Board as a whole and individual director.
- Review the training and professional development programmes for the Board.
- Review the Board succession plans for directors, in particular, the Chairman and the CEO.
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Key information on directors

Key information on the directors is set out below:

<table>
<thead>
<tr>
<th>Name of director</th>
<th>Academic &amp; professional qualifications</th>
<th>Date of first appointment as a director</th>
<th>Date of last re-appointment as a director</th>
<th>Present directorships or chairmanships in other listed companies</th>
<th>Directorships or chairmanships held over the preceding three years in other listed companies</th>
<th>Other principal commitments</th>
<th>Due for re-appointment at the AGM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ang Beng Choo</td>
<td></td>
<td></td>
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<td>N/A</td>
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<tr>
<td>De Silva Elizabeth Frances</td>
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<td></td>
<td>N/A</td>
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<tr>
<td>Goh Hock Inn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Jee Kim Leng</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Retirement by rotation (Article 93)</td>
</tr>
<tr>
<td>Musa Nasir Osman</td>
<td></td>
<td>2 February 2013</td>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
<td>Retirement pursuant to Article 94</td>
</tr>
<tr>
<td>Pek Que Ru</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Retirement by rotation (Article 93)</td>
</tr>
<tr>
<td>See Tong Tong</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>NED subject to annual re-appointment as he has served on the Board for more than nine years from the date of his first appointment</td>
</tr>
<tr>
<td>Vellaisamy W Y</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Retirement by rotation (Article 93)</td>
</tr>
<tr>
<td>Eileen Aw Bee Chin</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Delphi Michelle</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

Note:
The details of directors’ shareholdings in the Company and its related corporations are disclosed on pages [x] to [x] of the Annual Report under “Directors’ interest in share or debentures” section of the Directors’ Report.
Illustrative corporate governance report

Directors’ independence review
The task of assessing the independence of directors is delegated to the NC. The NC reviews the independence of each director annually, and as and when circumstances require.

Annually, each director is required to complete a Director’s Independence Checklist (Checklist) to confirm his/her independence. The Checklist is drawn up based on the guidelines provided in the Code of Corporate Governance.

Each director must also confirm in the Checklist whether he/she considers himself/herself independent despite not having any relationships identified in the Code of Corporate Governance.

Thereafter, the NC reviews the Checklist completed by each director, assess the independence of the directors and recommends its assessment to the Board.

The Board, after taking into account the views of the NC, determined that with the exception of Mrs. De Silva Elizabeth Frances, Mr. Goh Hock Inn and Mr. Musa Nasir Osman, all the other seven non-executive directors are independent.

Directors’ time commitments and multiple directorships
The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The guideline provides that, as a general rule, each Director should hold no more than [x number] listed company board representations. The guideline includes the following:

- Directors must consult the Chairman of the Board and the NC Chairperson prior to accepting any new appointments as directors and other principal commitments; and
- In support of their candidature for directorship or re-appointment, directors are to provide the NC with details of the board appointment and other principal commitments and an indication of the time involved.

The NC determines annually whether a director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a director of the Company.

Succession planning for the Board and senior management
Succession planning is an important part of the governance process. The NC seeks to refresh the Board membership progressively and in an orderly manner, to avoid losing institutional memory.

The NC reviews the succession and leadership development plans for senior management, which are subsequently approved by the Board. As part of this annual review, the successors to key positions are identified, and development plans instituted for them.
Process for selection and appointment of new directors

The NC has put in place a formal process for the selection of new directors to increase transparency of the nomination process in identifying and evaluating nominees for directors. The NC leads the process as follows:

- NC evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Group. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- After endorsement by the Board of the key attributes, the NC taps on the resources of directors’ personal contacts and recommendations of the potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process.
- NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- NC recommends the most suitable candidate to the Board for appointment as director.

Adopting this rigorous selection process, the Board recommends that the shareholders approve the appointment of Mr. Musa Nasir Osman as a director of the Group at the forthcoming AGM.

The NC had identified Mr. Musa Nasir Osman based on his skills, judgment and diversity of experience. Mr. Musa Nasir Osman was a Managing Partner of ABC Law Firm in Singapore and retired recently after 40 years with the firm. Mr. Musa’s areas of practice encompass equity and debt capital markets. In his 40 years with the firm, he was involved in several market-leading domestic and international capital markets transactions, including initial public offerings of equity and business trusts, bond issuances, medium term note and commercial paper programmes, equity-linked securities, regulatory capital and Islamic finance.

Process for re-appointment of directors

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director’s contribution and performance (including his or her contribution and performance as an independent director, if applicable).

The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and board committees as well as the quality of intervention and special contribution.

All directors submit themselves for re-nomination and re-appointment at regular intervals of at least once every three years. Article 93 of the Company’s Articles of Association provides that one-third of the directors (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation and be subject to re-appointment at the Company’s AGM.

In addition, Article 94 of the Company’s Articles of Association provides that a newly appointed director during the financial year must retire and submit himself/herself for re-appointment at the next AGM following his/her appointment. Thereafter, he or she is subject to be re-appointed at least once every three years.

Pursuant to the one-third rotation role, Mr. Jee Kim Leng, Mr. Pek Que Ru and Mr. Vellaisamy W Y will retire and submit themselves for re-appointment at the forthcoming AGM. The NC is satisfied that the directors retiring in accordance with the Article of Association 93 at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board’s deliberations.

Mr. Musa Nasir Osman who was newly appointed to the Board on 2 February 2013 will also submit himself for retirement and re-appointment by shareholders at the forthcoming AGM.

Mr. See Tong Tong who has served on the Board for more than nine years from the date of his first appointment will also be subject to re-appointment at the forthcoming AGM.
Illustrative corporate governance report

Mr. Jee Kim Leng, Mr. Pek Que Ru, Mr. Vellaisamy W Y, Mr. Musa Nasir Osman and Mr. See Tong Tong who will submit themselves for re-appointment at the forthcoming AGM does not have any relationships with the Group, its directors, its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company.

Commentary:

**Composition of the NC**

The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent.

**Lead independent director**

The 2012 Code introduces a new Guideline that if lead independent director is appointed, the lead independent director should be a member of the NC.

**Key terms of reference of the NC**

The 2012 Code amended Guideline 4.1 to state that the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board should be disclosed in the annual report.

**Responsibilities of the NC**

The 2012 Code reinforces existing NC’s responsibilities or highlights new areas where the NC will need to be more involved, including taking a lead role in:

- Conducting performance evaluations of the Board, its board committees and individual directors;
- Reviewing the training and professional development programs for the Board; and
- Succession planning for directors, in particular, the Chairman and the CEO.

**NC to consider director’s competing time commitments**

When a director has multiple board representations, he must ensure that sufficient time and attention is given to the affairs of each company.

The NC should decide if a director is able to and has been adequately carrying out his duties as a director of the company, taking into consideration the director’s number of listed company board representations and other principal commitments.

The 2012 Code introduces and defines the term “principal commitments” as all commitments which involve significant time commitment such as:

- Full-time occupation;
- Consultancy work;
- Committee work;
- Non-listed company board representations and directorships; and
- Involvement in non-profit organisations.

Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.
Commentary:

NC to consider director’s competing time commitments (cont’d)

The 2012 Code introduces a new Guideline to require the Board:

- To determine what would work best for the company and to come up with their own guideline as to the maximum number of listed company board representations that any director may hold, and
- To disclose this in the annual report.

Process for the selection and appointment of directors

The 2012 Code amended Guideline 4.6 to clarify that the requirement to describe the process for the selection and appointment of directors in the annual report applies not only to the appointment of new directors but also to the re-appointment of directors. The search and nomination process should also be disclosed in the annual report.

Alternate directors

The 2012 Code introduces a new Guideline to expressly state that the Board should not appoint alternate directors except for limited periods in exceptional cases such as when a director has a medical emergency. The NC and the Board should also ensure that an alternate director to an independent director would similarly qualify as an independent director.

Information accompanying the resolutions for appointment or re-appointment of directors

Guideline 4.7 in the 2012 Code has been modified to state the following information should also accompany the resolutions for appointment or re-appointment of directors to enable shareholders to make an informed decision:

(a) Any relationships including immediate family relationships between the candidate and the directors, the company or its shareholders with shareholdings of 10% or more in the voting shares of the Company;
(b) A separate list of all current directorships in other listed companies; and
(c) Details of other principal commitments.

A. BOARD MATTERS

Principle 5: Board performance

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual director to the effectiveness of the Board on an annual basis. At FY2013, the Board engaged an external consultant specialising in board evaluation and human resources to facilitate the evaluation of the Board and board committees, as well as the contributions by each director.

The external consultant does not have any connection with the Group or any of its directors. The Board believes that the use of an independent external consultant not only encourages directors to be more candid in their evaluation of the Board performance but also enhances the objectivity and transparency of the evaluation process.
Evaluation process

The NC Chairperson, in conjunction with the Chairman of the Board, conducts an annual assessment of the effectiveness of the Board as a whole, effectiveness of its board committees and the contribution by each individual director. There are three components to this assessment:

A. Self assessment;
B. Board assessment; and
C. Peer evaluations.

The chart below indicates who is involved in the various performance evaluations:

<table>
<thead>
<tr>
<th>Evaluating</th>
<th>Chairman of the Board</th>
<th>NC Chairperson</th>
<th>Individual directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board performance</td>
<td>✓</td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Committee performance</td>
<td></td>
<td>Members of the individual committees</td>
<td></td>
</tr>
<tr>
<td>Chairman of the Board</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Chairman/Chairperson of board committees</td>
<td></td>
<td>Members of the individual committees</td>
<td></td>
</tr>
<tr>
<td>Individual director performance (including self-assessments)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

The performance evaluation process begins with an annual meeting between the NC Chairperson and the independent external consultant on the evaluation framework to ensure that areas of particular interest and key issues are focused on.

The independent external consultant sends out a customised Board Evaluation Questionnaire ("Questionnaire") to each director for completion. Each director is required to complete the Questionnaire and send the Questionnaire directly to the independent external consultant within five working days.

An Explanatory Note is attached to the Questionnaire to clarify the background, rationale and objectives of the various performance criteria used in the Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions.

Based on the returns from each of the director, the independent external consultant prepares a consolidated report and briefs the NC Chairperson and the Chairman of the Board on the report. Thereafter, the external independent consultant presents the report for discussion at a meeting with all the directors, chaired by the NC Chairperson. The NC Chairperson then holds a discussion with all directors to agree on future action plans.

The results of the overall evaluation showed a continuation of the five-year trend of improving scores. From the results of the 2013 evaluation, action points and issues that were discussed include:

- Continued focus on the Board’s calendar of business to ensure that non-critical items are removed or kept to a minimum, thereby ensuring that sufficient time can be allocated to items fundamental to the success of the Group.
- Refinements to the Board’s calendar of business, including additional time to be spent on items such as compensation strategy and succession planning.

The Chairman of the Board will give feedback to the NC on the appointment of new directors or retirement or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the NC will take into consideration his views in this regard.
Board performance criteria

The performance criteria for the board evaluation are as follows:

- Board size and composition.
- Board independence.
- Board processes.
- Board information and accountability.
- Board performance in relation to discharging its principal functions.
- Board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.
- Financial targets which include profit before tax, profit after tax, dividend pay-out ratio, and total shareholder return (i.e., dividend plus share price increase over the year).

Individual director's performance criteria

The individual director’s performance criteria are categorised into five segments; namely,

- Interactive skills (whether the director works well with other directors and participate actively).
- Knowledge (the director’s industry and business knowledge, functional expertise, whether the director provides valuable inputs, the director’s ability to analyze, communicate and contribute to the productivity of meetings, and understanding of finance and accounts, are taken into consideration).
- Director’s duties (the director’s board committee work contribution, whether the director takes his/her role as director seriously and works to further improve his/her own performance, whether he listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration).
- Availability (the director’s attendance at Board and board committee meetings, whether the director is available when needed, and his/her informal contribution via email, telephone, written notes etc are considered).
- Overall contribution, bearing in mind that each director was appointed for his/her strength in certain areas which taken together provides the Board with the required mix of skills and competencies.

The assessment of the Chairman of the Board is based on his ability to lead, whether he has:

- Established proper procedures to ensure the effective functioning of the Board.
- Ensured that the time devoted to board meetings were appropriate (in terms of number of meetings held a year and duration of each board meeting) for effective discussion and decision-making by the Board.
- Ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions.
- Guided discussions effectively so that there was timely resolution of issues.
- Ensured that meetings were conducted in a manner that facilitated open communication and meaningful participation.
- Ensured that board committees were formed where appropriate, with clear terms of reference, to assist the Board in the discharge of its duties and responsibilities.

The performance of individual directors is taken into account in their re-appointment. Specific needs which arise from time to time are taken into account in any appointment of new directors.
Commentary:

Use of external facilitator

The Board should state in the company’s annual report how assessment of the Board, its board committees and each director has been conducted.

If an external facilitator has been used in assessing the effectiveness of the Board, its board committees and each director, the Board should disclose in the annual report whether the external facilitator has any other connection with the company or any of its directors.

This assessment process should be disclosed in the company’s annual report.

A. BOARD MATTERS

Principle 6: Access to information

Complete, adequate and timely Information

Management recognises the importance of ensuring the flow of complete, adequate and timely information to the directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.

To allow directors sufficient time to prepare for the meetings, all Board and board committee papers are distributed to directors a week in advance of the meeting. Any additional material or information requested by the directors is promptly furnished.

Management’s proposals to the Board for approval provide background and explanatory information such as facts, resources needed, risk analysis and mitigation strategies, financial impact, regulatory implications, expected outcomes, conclusions and recommendations.

Employees who can provide additional insight into matters to be discussed will be present at the relevant time during the Board and board committee meetings.

To facilitate direct access to the senior management, directors are also provided with the names and contact details of the management team.

In order to keep directors abreast of analysts’ views on the Group’s performance, the Board is updated twice a year on the market view which includes a summary of analysts’ feedback and recommendations following the full-year and half-year results announcements.

The management also provides the Board with management report. This report includes budgets, forecasts and monthly management accounts. In respect of budgets, any material variances between the projections and actual results are disclosed and explained to the Board.

On a quarterly basis, the Head of Internal Audit also provides the Board with internal audit report. This report includes:

- Status of the audits in the annual internal audit plan.
- Key findings arising from completed audits.
- Implementation status of outstanding management action plans (if any).

The Enterprise Risk Management Committee presents risk assessment to the Board on a quarterly basis, which includes movements in risks, risk assessment of major investment, capital expenditure, and acquisitions.
Company Secretary

Directors have separate and independent access to the Company Secretary. The Company Secretary is responsible for, among other things, ensuring that Board procedures are observed and that Company’s Memorandum and Articles of Association, relevant rules and regulations, including requirements of the Securities and Futures Act, Companies Act and SGX-ST’s Listing Manual, are complied with. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholder value.

The Company Secretary assists the Chairman in ensuring good information flows within the Board and its board committees and between management and NEDs. The Company Secretary also facilitates the orientation and assists with professional development as required.

As primary compliance officer for Group’s compliance with the listing rules, the Company Secretary is responsible for designing and implementing a framework for management’s compliance with the listing rules, including advising management to ensure that material information is disclosed promptly.

The Company Secretary attends and prepares minutes for all Board meetings. As secretary for all board committees, the Company Secretary assists in ensuring coordination and liaison between the Board, the board committees and management. The Company Secretary assists the Chairman of the Board, the Chairman/Chairperson of board committees and management in the development of the agendas for the various Board and board committee meetings.

The appointment and the removal of the Company Secretary are subject to the Board’s approval.

Independent professional advice

The Board has a process for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Group’s expense.

B. REMUNERATION MATTERS

Principle 7: Procedures for developing remuneration policies

RC

The RC comprises the following three members, all of whom are independent non-executive directors:

- Vellaisamy WY (RC Chairman)
- See Tong Tong
- Delphi Michelle

The RC is responsible for ensuring a formal and transparent procedure for developing policies on executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel.
The members of the RC carried out their duties in accordance with the terms of reference which include the following:

- Review and recommend to the Board for endorsement, a framework of remuneration for the Board and key management personnel. The framework covers all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind.
- Review and recommend to the Board, the specific remuneration packages for each director as well as for the key management personnel.
- Review the level and mix of remuneration and benefits policies and practices of the Company, including the long-term incentive schemes on an annual basis. The performance of the Company and that of individual employees would be considered by the RC in undertaking such reviews.
- Implement and administer the Company's share options plan.
- Review the Group’s obligations arising in the event of termination of the executive directors’ and key management personnel’s contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
- Review the development of senior staff and assesses their strengths and development needs based on the Group’s leadership competencies framework, with the aim of building talent and maintaining strong and sound leadership for the Group.

The RC from time to time and where necessary seeks advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for directors and key management personnel.

During FY2013, the RC appointed an external consultant, DEF Consulting Pte Ltd, to provide advice on market practices and benchmark data on board and executive compensation. DEF Consulting Pte Ltd and its principal consultant, Mr. Allen Lim do not have any connection with the Group or any of its directors which could affect their independence and objectivity.

None of the members of the RC or any director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to him/her.

Commentary:

Minimum number of RC member

Guideline 7.1 has been modified to specifically state that RC should comprise at least three directors.

All of the members of the RC should be non-executive directors.

Key terms of reference of the RC

The 2012 Code amended Guideline 7.1 to state that the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board should be disclosed in the annual report.

Termination of the executive directors’ and key management personnel’s contracts of service

The 2012 Code added a new Guideline 7.4 that RC should review the company’s obligations arising in the event of termination of the executive directors’ and key management personnel’s contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.
Commentary:

Remuneration consultants

Guideline 7.3

The 2012 Code added a new Guideline 7.3 that RC should seek expert advice inside and/or outside the company on remuneration of all directors, if necessary.

The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

The company should disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.

B. REMUNERATION MATTERS

Principle 8: Level and mix of remuneration

Principle 9: Disclosure of remuneration

In recommending the level and mix of remuneration, the RC seeks to establish a framework for attracting, retaining and motivating employees. The Group’s compensation framework comprises fixed pay, short-term and long-term incentives. The Group subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees. The level and structure of remuneration of directors and key management personnel are aligned with the long-term interest and risk policies of the Company.

Remuneration of executive directors and key management personnel

In designing the compensation structure, the RC seeks to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between current versus long-term compensation and between cash versus equity incentive compensation.

The compensation structure is designed such that the percentage of the variable component of key management personnel’s remuneration increases as they move up the organisation. The variable component also depends on the actual achievement of corporate targets and individual performance objectives.

Executive directors do not receive directors’ fees.

The remuneration structure for executive directors and key management personnel consists of the following components:

a) Fixed remuneration
b) Variable bonus
c) Other benefits
d) Share options

a) Fixed remuneration

The fixed remuneration comprises basic salary, statutory employer’s contributions to the Central Provident Fund and fixed allowances. In setting remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group’s relative performance and the performance of individual directors and key management personnel.
b) Variable bonus

Variable bonus is an annual remuneration component which varies according to the Group’s and the individual’s performance objectives. To link rewards to performance, the more senior the executive in the Group, the higher is the percentage of the variable bonus against total compensation.

The two performance objectives of the Group are profit before tax, as to 75% of the award, and profit after tax, as to 25% of the award.

The RC believes that profit before tax best reflects the financial health and performance of the Group’s business and is also a key performance measure used by other companies in similar industry, which allows for general comparability of performance.

The RC also believes that profit after tax is an appropriate measure as it reflects overall earnings performance and requires management to be responsible for, and manage every line item on, the consolidated income statement.

Additionally, in making its decision regarding appropriate performance objectives, the RC also considered the following factors relative to profit before tax and profit after tax:

- Each executive director and key management personnel believe he or she can meaningfully contribute to the achievement of these performance objectives.
- Maintaining the consistency of the objectives over a number of years allows for more accurate measurement and comparison of, and reward for, the desired performance from year to year.
- Profit before tax is used in our incentive plans for other employees, and thus, the interests of the entire organisation are aligned to achieve the same goals.
- They are not overly complex metrics and easily understood, providing for clear “light-of-sight”.

During FY2013, the Group achieved the performance objectives for profit before tax and profit after tax by 115% and 102% respectively.

c) Other benefits

The Group provides benefits consistent with local market practice, such as medical benefits, club membership, employee discounts and car allowance. Eligibility for these benefits will depend on individual salary grade and length of service.

d) Share options

The executive directors and key management personnel with more than 12 months’ service are eligible for the grant of options under the Senior Executive Option Plan. For details of share options of the Group, please refer to Directors’ report and Note [x] to the financial statements.

Use of contractual provisions for executive directors and key management personnel

The service contracts with executive directors and key management personnel contain reclamation of incentive component clause to safeguard the Group’s interest in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by executive directors or key management personnel.
Remuneration of NEDs

The RC reviews the scheme put in place by the Company for rewarding the NEDs to ensure that the compensation is commensurate with effort, time spent and responsibilities of the NEDs.

Having regard to the scope and extent of a director’s responsibilities and obligations, the prevailing market conditions, and referencing directors’ fees against comparable benchmarks, the Board agreed with the RC’s recommendation that the current fee structure for NEDs remains unchanged from FY2012.

The fees for NEDs comprise a basic retainer fee, additional fees for appointment to board committees and a travel allowance for directors who were required to travel out of their country or city of residence to attend board meetings and board committee meetings which did not coincide with Board meetings. The Chairman/Chairperson of each board committee is also paid a higher fee compared with the members of the respective committees in view of the greater responsibility carried by that office.

The framework for determining NEDs’ fees was as follows:

<table>
<thead>
<tr>
<th>Basic retainer fee</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Chairman</td>
<td>S$[xx] per annum</td>
</tr>
<tr>
<td>Director</td>
<td>S$[xx] per annum</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee Chairman</td>
</tr>
<tr>
<td>Committee member</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nominating Committee or Remuneration Committee or Risk Management Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee Chairman/Chairperson</td>
</tr>
<tr>
<td>Committee member</td>
</tr>
</tbody>
</table>

Travel allowance for Board Meetings and board committee meetings which do not coincide with Board meetings (per day of travel required to attend meeting) | S$[xx] |

The directors’ fees payable to NEDS is subject to shareholders’ approval at the Company’s AGMs.

There are no share-based compensation schemes in place for NEDs. To better align with shareholders’ interests, NEDs are encouraged to acquire the Company’s shares each year from the open market to the extent of one-third of their fees until they hold the equivalent of one year’s fees in shares and to continue to hold the equivalent of a year’s fees in shares while they remain on the Board.

Guideline 8.3
Remuneration of directors and the CEO

The remuneration paid to or accrued to each individual director and the CEO for FY2013 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Fees¹</th>
<th>Salary</th>
<th>Bonus</th>
<th>Other benefits²</th>
<th>Fair value of share option³</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
<td>$'000</td>
</tr>
<tr>
<td><strong>Executive directors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goh Hock Inn</td>
<td>—</td>
<td>[xx]</td>
<td>[xx]</td>
<td>[xx]</td>
<td>[xx]</td>
<td>[xx]</td>
</tr>
<tr>
<td>De Silva Elizabeth Frances (CEO)</td>
<td>—</td>
<td>[xx]</td>
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<tr>
<td><strong>Non-executive directors</strong></td>
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<tr>
<td>Ang Beng Choo</td>
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<td>Jee Kim Leng</td>
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<tr>
<td>Musa Nasir Osman ⁴</td>
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<td>Pek Que Ru</td>
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<td>See Tong Tong</td>
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<td>Vellaisamy W Y</td>
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<td>Eileen Aw Bee Chin</td>
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<td>Delphi Michelle</td>
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</table>

¹ Subject to approval by shareholders as a lump sum at the annual general meeting for financial year ended 31 December 2013.

² Other benefits refer to benefits-in-kind such as car, housing allowances, club membership etc. made available to directors as appropriate.

³ The share options are all granted under the Senior Executive Option Plan. The fair value of share options granted at the date of grant is estimated at the date of grant, by an external valuer using a binomial option-pricing model taking into account the share price at grant date, the exercise price, the risk-free interest rate, the expected dividend yield, volatility and life of the option.

⁴ Appointed on 2 February 2013.
Remuneration of top five key management personnel

The remuneration paid to or accrued to the top five key management personnel (who are not directors or the CEO) for FY2013 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Salary '000</th>
<th>Bonus '000</th>
<th>Other benefits(^1) '000</th>
<th>Share option(^2) '000</th>
<th>Total '000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Below S$250,000</strong></td>
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<tr>
<td>Adeline Teo Ming Ling</td>
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<tr>
<td>Stanley Tan Pang Dang</td>
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<tr>
<td>Kenny Tan Sui Ping</td>
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<td>[xx]</td>
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<tr>
<td>Eric Lim Jia Le</td>
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<tr>
<td><strong>S$250,000 to S$499,999</strong></td>
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<tr>
<td>Matt Loh Jit Teng</td>
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</tbody>
</table>

The aggregate of total remuneration paid to or accrued to the top five key management personnel (who are not directors or the CEO) is [xx].

\(^1\) Other benefits refer to benefits-in-kind such as car, housing allowances, club membership etc., made available to key management personnel as appropriate.

\(^2\) The share options are all granted under the Senior Executive Option Plan. The fair value of share options granted at the date of grant is estimated at the date of grant, by an external valuer using a binomial option-pricing model taking into account the share price at grant date, the exercise price, the risk-free interest rate, the expected dividend yield, volatility and life of the option.

Aggregate amount of termination, retirement and post-employment benefits granted to directors, the CEO and the top key management personnel (who are not directors or the CEO)

The aggregate amount of post-employments benefits of the directors, the CEO and the top key management personnel (who are not directors or the CEO) for FY2013 is S$[xx].

Remuneration of employees who are immediate family members of a director or the CEO

Miss Goh Ai Lin, the daughter of Mr. Goh Hock Inn, an Executive Director of the Company, is employed by XYZ Technologies Pte Ltd, a subsidiary of the Group, as a Financial Controller and has received remuneration in that capacity.

For FY2013, saved as disclosed in the following table which shows the breakdown of the remuneration (in percentage terms) of Miss Goh Ai Lin, the Company and its subsidiary companies do not have any other employee who is an immediate family member of a director or the CEO and whose remuneration exceeds S$50,000.

<table>
<thead>
<tr>
<th></th>
<th>Salary (%)</th>
<th>Bonus (%)</th>
<th>Other benefits(^1) (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>S$50,00 to S$99,999</strong></td>
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<td></td>
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<tr>
<td>Goh Ai Lin</td>
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<td>[xx]</td>
<td>[xx]</td>
<td>100</td>
</tr>
</tbody>
</table>

\(^1\) Other benefits refer to car allowance.
Commentary:

Disclosure on the link between remuneration and performance

The 2012 Code introduces a new Guideline 9.6 which requires companies to disclose more information on the link between remuneration and performance of key management personnel.

The 2012 Code also states that the annual remuneration report should set out:

- A description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject.
- An explanation on why such performance conditions were chosen.
- A statement of whether such performance conditions are met.

This disclosure requirement is not applicable to non-executive directors as non-executive directors’ remuneration are typically retainer-based fees and are usually determined based on other factors such as board and committee positions, and attendance at meetings.

Contractual provision to reclaim incentive components of remuneration

The 2012 Code introduces a new Guideline 8.4 which states that companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from key management personnel in exceptional circumstances of:

- Misstatement of financial results, or
- Misconduct resulting in financial loss to the companies.

For the purpose of this requirement, non-executive directors are excluded.

Remuneration of directors and CEO

Under the 2012 Code, companies are required to disclose the name and remuneration of each director and the CEO. In addition, the remuneration of each director and CEO should be disclosed to the nearest thousand dollars, rather than using the S$250,000 bands.

The requirements to disclose breakdown (in percentage or dollar terms) of each director’s and the CEO’s remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards and other long-term incentives remain unchanged.

Remuneration of top five key management personnel (who are not directors or CEO)

Companies are required to disclose the name and the remuneration of at least the top five key management personnel in bands of S$250,000.

The 2012 Code specifically excludes the CEO from the top five key management personnel.

The requirements to disclose breakdown (in percentage or dollar terms) of each key management personnel’s remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards and other long-term incentives remain unchanged.

The 2012 Code explicitly states that as a best practice, companies are also encouraged to fully disclose the remuneration of the top five key management personnel.

Aggregate of the total remuneration paid or payable to the top five key management personnel (who are not directors or the CEO)

The 2012 Code added a new disclosure requirement which requires companies to disclose the aggregate of the total remuneration paid or payable to the top five key management personnel (who are not directors or the CEO).
Commentary:

Aggregate amount of termination, retirement and post-employment benefits granted to directors, the CEO and the top key management personnel (who are not directors or the CEO)

The 2012 Code added a new disclosure requirement which requires companies to disclose the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO).

Remuneration of employees who are immediate family members of a director or the CEO

The 2012 Code requires companies to disclose the details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year.

The disclosure should be done on a named basis with clear indication of the employee’s relationship with the relevant director or the CEO.

The disclosure should be made in bands of S$50,000.

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Group recognises the importance of providing the Board with accurate and relevant information on a timely basis. Hence, Board members receive monthly financial and business reports from management. Such reports keep the Board members informed of the Company’s and the Group’s performance, position and prospects and consist of the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax profit by operating segments compared against budgets, together with explanations for significant variances for the month and year-to-date.

The Board reviews and approves the results as well as any announcements before its release. The Board provides shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders within [x] days from the end of the quarter. Annual results are released within [x] days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group’s position and prospects. The Board also ensures timely and full disclosure of material corporate developments to shareholders.

The Board also reviews legislation and regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

For the financial year under review, the CEO and the CFO have provided assurance to the Board on the integrity of the financial statements for the Company and its subsidiaries.
C. ACCOUNTABILITY AND AUDIT

Principle 13: Internal audit

The Group has established an in-house internal audit function. The internal audit is an independent function within the Group. The Head of Internal Audit reports directly to the AC functionally and to the CEO administratively.

As a corporate member of the Singapore Chapter of the Institute of Internal Auditors (IIA), the internal audit function adopts the International Standards for the Professional Practice of Internal Auditing (the IIA Standards) issued by IIA. The internal audit function successfully completed its external Quality Assurance Review in 2012 and continues to meet or exceed the IIA Standards in all key aspects.

The AC approves the hiring, removal, evaluation and compensation of the Head of Internal Audit. The scope of authority and responsibility of the internal audit function is defined in the Group Internal Audit Charter, which is approved by the AC.

The primary role of internal audit function is to assist the Board and senior management to meet the strategic and operational objectives of the Group, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes. The Group’s internal audit approach is aligned with the Group’s Risk Management Framework by focusing on key financial, operational, compliance and information technology risks. The annual internal audit plan is established in consultation with, but independent of, management. The internal audit plan is reviewed and approved by the AC. All internal audit findings, recommendations and status of remediation, are circulated to the AC, the CEO, the external auditors and relevant senior management every quarter.

The professional competence of the internal auditors is maintained or upgraded through training programmes, conferences and seminars that provide updates on auditing techniques, regulations, financial products and services. The internal audit function is staffed with suitably qualified experienced professionals with diverse operational and financial experience, who are at the level of manager and above. The AC is satisfied that the internal audit function has adequate resources to perform its functions effectively.

The Head of Internal Audit presents the internal audit findings to the Board at each quarter. The AC meets with the Head of Internal Audit twice a year, without the presence of management. The internal auditors have unfettered access to all the Group’s documents, records, properties and personnel, including the AC.

Commentary:

<table>
<thead>
<tr>
<th>Internal audit</th>
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<tbody>
<tr>
<td><strong>The AC is responsible to:</strong></td>
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<tr>
<td>• Approve the hiring, removal, evaluation and compensation of the head of the internal audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced.</td>
</tr>
<tr>
<td>• Ensure that the internal audit function is adequately resourced and has appropriate standing within the company.</td>
</tr>
<tr>
<td>• Review, at least annually, the adequacy and effectiveness of the internal audit function.</td>
</tr>
</tbody>
</table>
Illustrative corporate governance report

C. ACCOUNTABILITY AND AUDIT

Principle 12: Audit committee

The AC comprises the following three members, all of whom are independent non-executive directors:

- Jee Kim Leng (AC Chairman)
- Pek Que Ru
- Ang Beng Choo

The Chairman of the AC, Mr. Jee Kim Leng, is by profession a Chartered Accountant. The AC Chairman has accounting, auditing and risk management expertise and experience. The other members of the AC have many years of experience in business management, finance and legal services. The Board is of the view that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC’s functions.  

During FY2013, the AC attended external trainings on changes in accounting standards, risk management, corporate governance and regulatory related topics.

The main responsibilities of the AC are to assist the Board in discharging its statutory and other responsibilities relating to four main areas:

- Overseeing financial reporting;
- Overseeing internal control and risk management systems;
- Overseeing internal and external audit processes; and
- Overseeing Interested Party Transactions (IPTs).

The members of the AC carried out their duties in accordance with the terms of reference which include the following:

- Review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group’s financial performance before their submission to the Board.
- Review and report to the Board at least annually on the adequacy and effectiveness of the Group’s internal controls, including financial, operational compliance and information technology controls and risk management systems.
- Review the adequacy and effectiveness of the Group’s internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures.
- Review the scope and results of the external audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors.
- Recommend to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors.
- Review IPTs in accordance with the requirements of the SGX-ST’s Listing Manual and the Company’s Shareholders’ Mandate for IPTs.

The AC has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. It has full access to and co-operation of the management and reasonable resources to enable it to discharge its duties properly. It also has full discretion to invite any director or executive officer or any other person to attend its meetings.
Summary of the AC’s activities

The AC met six times during the year under review. Details of members and their attendance at meetings are provided in page [x]. The CFO, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

During FY2013, the AC had two meetings with external auditors and internal auditors separately, without the presence of management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The principal activities of the AC during FY 2013 are summarised below:

Financial reporting

The AC met on a quarterly basis and reviewed the quarterly and full year announcements, material announcements and all related disclosures to the shareholders before submission to the Board for approval. In the process, the AC reviewed the audit plan and audit committee report presented by the external auditors.

The AC reviewed the annual financial statements and also discussed with management, the CFO and the external auditors the significant accounting policies, judgment and estimate applied by the management in preparing the annual financial statements. The AC focused particularly on:

- Significant adjustments resulting from the audit;
- The appropriateness of the going concern assumption in the preparation of the financial statements; and
- Significant deficiencies in internal controls over financial reporting matters that came to external auditor’s attention during their audit together with their recommendations.

Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

External audit processes

The AC manages the relationship with the Group’s external auditors, on behalf of the Board. During FY2013, the AC carried out its annual assessment of the cost effectiveness of the audit process, together with the auditor’s approach to audit quality and transparency. The AC concluded that the auditors demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that Ernst & Young LLP be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution (set out on page [x]) to shareholders for the re-appointment of Ernst & Young LLP.

Pursuant to the requirement in the SGX-ST’s Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Ernst & Young LLP’s audit partner for the Company took over from the previous audit partner with effect from 1 January 2012. In appointing auditors for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the SGX-ST’s Listing Manual.
Auditor independence

In order to maintain the independence of the external auditors, the Group has specific policy which governs the conduct of non-audit work by the external auditors. This policy prohibits the external auditors from:

- Performing services which would result in the auditing of their own work;
- Participating in activities normally undertaken by management;
- Acting as advocate for the Group; or
- Creating a mutuality of interest between the auditors and the Group, for example being remunerated through a success fee structure.

The AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them. The AC received a half yearly report setting out the non-audit services provided by Ernst & Young LLP and the fees charged. An analysis of fees paid in respect of audit and non-audit services provided by breakdown for the past two years is disclosed in Note [x] to the financial statements.

Having undertaken a review of the non-audit services provided during the year, the AC remains confident that the objectivity and independence of the external auditors are not in any way impaired by reason of the non-audit services which they provide to the Group. Moreover, the AC is satisfied that these services were provided efficiently by the external auditors as a result of their existing knowledge of the business.

Internal audit

During FY2013, the AC has reviewed and assessed the adequacy of the Group’s system of internal controls and regulatory compliance through discussion with management, the Head of Internal Audit, and external auditors.

The AC considered and reviewed with management and the Head of Internal Audit on the following:

- Annual internal audit plans to ensure that the plans covered sufficiently a review of the internal controls of the Group;
- Significant internal audit observations and management’s response thereto; and
- Budget and staffing for the internal audit functions.

The AC has reviewed the adequacy of the internal audit function and is satisfied that the team is adequately resourced. The AC also reviewed the training costs and programs attended by the internal auditors to ensure that staff continued to update their technical knowledge and auditing skills.

Interested person transactions

The AC reviewed the Group’s IPTs to ensure that the transactions were carried out on normal commercial terms and are not prejudicial to the interests of the Company or its non-controlling shareholders. On a quarterly basis, management reports to the AC the IPTs in accordance with the Company’s Shareholders’ Mandate for IPT.

Management reported that the internal control procedures for determining the transaction prices of IPTs had not change since the date of the last Annual General Meeting, at which the shareholders’ mandate for IPTs was last renewed.

The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs was effective.
Illustrative corporate governance report

The aggregate value of transactions entered into by the Group with interested persons as defined in the SGX-ST’s Listing Manual are as follows:

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<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders’ Mandate pursuant to Rule 920 of SGX-ST’s Listing Manual)</strong></td>
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<tr>
<td>Sales of goods</td>
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<td></td>
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<tr>
<td>LMN Pte Ltd</td>
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<td>-</td>
<td>[xx]</td>
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<tr>
<td>OPQ Pte Ltd</td>
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Whistle blowing

The AC also reviewed the adequacy of the whistle blower arrangements instituted by the Group through which staff and external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured. Reports of suspected fraud, corruption, dishonest practices or other similar matters can be lodged by calling the whistle-blower hotline service at 6 XXX XXXX or via email at whistleblowing@xyz.com, which are managed independently by an external service provider.

All cases reported are objectively investigated and appropriate remedial measures are taken where warranted. All whistle blowing matters are reviewed monthly by the Chairman and quarterly by the AC. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman.

The policy is communicated via the Company’s website. On an ongoing basis, the whistle-blower policy is covered during staff training and periodic communication to all staff as part of the Group’s efforts to promote awareness of fraud control.
Commentary:

**Composition of the AC**

The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent.

All of the members of the AC should be non-executive directors.

**Cooling-off period for partners or directors of the company’s existing auditing firm or auditing corporation**

The 2012 Code introduces a new Guideline which states that a partner or director of the company’s existing auditing firm or auditing corporation should not act as a member of the company’s AC:

- Within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case
- For as long as he has any financial interest in the auditing firm or auditing corporation.

**Recent and relevant expertise or experience**

Guideline 12.2 requires that at least two members, including AC Chairman, to have recent and relevant accounting or related financial management expertise or experience (as the Board interprets such qualification in its business judgment).

**Measures taken by the AC members to keep abreast of changes in accounting standards and issues which have a direct impact on financial statements**

The 2012 Code introduces a new disclosure requirement requiring the Board to disclose in the company’s annual report measures taken by the AC members to keep abreast of:

- Changes in accounting standards; and
- Issues which have a direct impact on financial statements.

**Key terms of reference of the AC**

The 2012 Code amended Guideline 12.1 to state that the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board should be disclosed in the annual report.
Commentary:

Appointment of auditing firms

Under SGX-ST’s listing rule 1207.6.c, listed companies are required to include a statement that the company complies with SGX listing rules 712 and 715 or 716 in relation to its auditing firms. This disclosure may be included in other parts of the entity’s annual report instead.

SGX-ST’s listing rule 712 states:

1. An issuer must appoint a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm’s other audit engagements, and the size and complexity of the listed group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit.

2. The auditing firm appointed by the issuer must be:
   (a) Registered with the Accounting and Corporate Regulatory Authority;
   (b) Registered with and/or regulated by an independent audit oversight body acceptable to Singapore Exchange. Such oversight bodies should be members of the International Forum of Independent Audit Regulators, independent of the accounting profession and directly responsible for the system of recurring inspection of auditing firms or are able to exercise oversight of inspections undertaken by professional bodies; or
   (c) Any other auditing firms acceptable by Singapore Exchange.

3. A change in auditing firms must be specifically approved by shareholders in a general meeting.

SGX-ST’s listing rule 715 states:

1. Subject to SGX-ST’s listing rule 716, an issuer must engage the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies.

2. An issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.

SGX-ST’s listing rule 716 states an issuer may appoint different auditing firms for its subsidiaries or significant associated companies (referred to in SGX-ST’s listing rule 715.1) provided:

1. The issuer’s Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or

2. The issuer’s subsidiary or associated company is listed on a stock exchange.

Disclosure of audit and non-audit fees

The AC should review the independence of the external auditors annually.

The 2012 Code includes a new Guideline requires the AC to state in the company’s annual report:

- The aggregate amount of fees paid/payable to the external auditors for that financial year; and
- A breakdown of the fees paid/payable in total for audit and non-audit services respectively, or an appropriate negative statement.

This new Guideline is consistent with the amended SGX-ST’s listing rule 1207.6.a which requires listed companies to disclose not only the non-audit fees paid/payable to auditors but also the audit fees as well as the total amount of the audit and non-audit fees paid/payable to auditors. If no audit or non-audit fees have been paid/payable to auditors, listed companies are required to make an appropriate negative statement. The amended SGX-ST’s listing rule 1207.6.a was already effective from 29 September 2011.
Commentary:

Review of non-audit services provided by the auditors

- Under SGX-ST's listing rule 1207.6.b, the AC shall provide a confirmation that it has undertaken a review of all non-audit services provided by the auditors and they would, in the AC's opinion, affect the independence of the auditor. This disclosure may be included in other parts of the entity's annual report instead.

Whistle-blowing policy

- Under the 2012 Code, the AC should review the policy and arrangements by which staff of the company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken.

The 2012 Code specifically requires that:

- The existence of a whistle-blowing policy should be disclosed in the company's annual report; and
- The procedures for raising such concerns should be publicly disclosed as appropriate.

C. ACCOUNTABILITY AND AUDIT

Principle 11: Risk management and internal controls

The Board, with the assistance from the Risk Management Committee (RMC) and AC, is responsible for the governance of risk by ensuring that management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving strategic objectives.

The AC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to requirements in the SGX-ST's Listing Manual and Code of Corporate Governance. In this regard, the AC is assisted by the RMC which was formed in February 2013 as part of the Group's efforts to strengthen its risk management processes and framework.

The RMC comprises the following five members:

- Delphi Michelle (RMC Chairperson)
- Jee Kim Leng
- Eileen Aw Bee Chin
- De Silva Elizabeth Frances
- Musa Nasir Osman

Except for Mrs. De Silva Elizabeth Frances and Mr. Musa Nasir Osman, all the other RMC members are independent non-executive directors.
The RMC is guided by its terms of reference. Specifically, the RMC assists the Board to:

- Determine the Group’s levels of risk tolerance and risk policies.
- Oversee management in the formulation, update and maintenance of an adequate and effective risk management framework in addressing material risks including material financial, operational, compliance and information technology risks.
- Make the necessary recommendation to AC and the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems can be made by the Board in the annual report in accordance to the SGX-ST’s Listing Manual and Code of Corporate Governance.
- Review the Group’s risk profile regularly and the adequacy of any proposed action if necessary.
- Review any material breaches of risk appetite/tolerances/limits and the adequacy of any proposed action if necessary.

The Board has approved a Group Risk Management Framework for the identification, assessment, monitoring and reporting of significant risks. The Group adopts the ISO 31000 Risk Management standards and Committee of Sponsoring Organisations of the Treadway Commission (COSO) model as the benchmark for assessing the effectiveness of its risk management system. Reference was also made to the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

The risks are proactively identified and addressed. The ownership of these risks lies with the respective business and corporate executive heads with stewardship residing with the Board.

The RMC assists the Board to oversee management in the formulation, update and maintenance of an adequate and effective risk management framework while the AC reviews the adequacy and effectiveness of the risk management and internal control systems.

At the management level, an Enterprise Risk Management Committee (ERMC) comprising key management personnel is responsible for directing and monitoring the development, implementation and practice of Enterprise Risk Management (ERM) across the Group. ERMC reports to the RMC on a quarterly basis. Please refer to the “Risk Management Report” on page [x] for further information on risk management.

The Company maintains a risk register which identifies the material risks facing the Group and the internal controls in place to manage or mitigate those risks. Business and corporate executive heads in the Group review and update the risk register regularly. The risk register is reviewed annually by the RMC, the AC and the Board. The RMC also reviews the approach of identifying and assessing risks and internal controls in the risk register.

On an annual basis, the Group’s internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group’s system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. The Group’s internal audit function follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC every quarter.
Assurance from the CEO and CFO

The Board has received written assurance from the CEO and the CFO that:

(a) The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2013 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

The CEO and the CFO have obtained similar assurance from the business and corporate executive heads in the Group.

Opinion on the adequacy and effectiveness of internal control and risk management systems

The AC sought the views of the external auditors in making assessment of the internal control over financial reporting matters. In addition, based on the Group Risk Management Framework established and maintained by the Group, the work performed by the ERMC and the internal audit function as well as the assurance received from the CEO and the CFO, the Board with the concurrence of the AC and RMC, is of opinion that the Group's internal controls addressing financial, operational, compliance and information technology risks were adequate as at 31 December 2013.

The Board notes that the system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledge that no system of internal controls and risks management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human errors, losses, fraud or other irregularities.

Commentary:

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.
- Determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.
- Assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.

In the 2012 Code, the responsibility of risk governance has been added as part of the Board's responsibilities.

Assurance from the CEO and CFO

The Board should comment whether it has received assurance from the CEO and the CFO that:

- The financial records have been properly maintained.
- The financial statements give a true and fair view of the company's operations and finances.
- An effective risk management and internal control systems have been put in place.
Commentary:

Opinion on the adequacy and effectiveness of internal control and risk management systems

The Board should, at least annually, review and comment on the adequacy and effectiveness of the listed company and its subsidiaries’ internal control system, including financial, operational, compliance and information technology controls, and risk management systems in the annual report.

The Board’s commentary should include information needed by stakeholders to make an informed assessment of the listed company and its subsidiaries’ internal control and risk management systems.

The SGX-ST’s listing rule 1207.10 requires an issuer to disclose in its annual report, the opinion of the Board, with the concurrence of the AC, on the adequacy of the internal controls, addressing financial, operational and compliance risks. Similarly, the 2012 Code also requires the Board to comment on the adequacy and effectiveness of the internal controls addressing these three areas.

However, in addition to the above three areas, the 2012 Code also requires the Board’s comment on the listed company and its subsidiaries’ information technology controls and risk management systems.

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder rights

The Group recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company’s shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group’s business which could have a material impact on the Company’s share price.

The Group strongly encourages shareholder participation during the AGM which will be held in a central location in Singapore. Shareholders are able to proactively engage the Board and management on the Group’s business activities, financial performance and other business related matters.

Commentary:

Companies should ensure that shareholders have the opportunity to participate effectively and vote at general meetings of shareholders.

Shareholders should be informed of the rules, including voting procedures that govern general meetings of shareholders.

Appointment of more than two proxies

The 2012 Code introduced a new Guideline which states that companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.
D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 15: Communication with shareholders

Disclosure of information on a timely basis

The Group is committed to maintaining high standards of corporate disclosure and transparency. The Group values dialogue sessions with its shareholders. The Group believes in regular, effective and fair communication with shareholders and is committed to hearing shareholders’ views and addressing their concerns.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET, press release and corporate website. To ensure a level playing field and provide confidence to shareholders, unpublished price sensitive information is not selectively disclosed. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group’s interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Group’s corporate website is the key resource of information for shareholders. In addition to the quarterly financial results materials, it contains a wealth of investor related information on the Group, including investor presentations, webcasts of earnings presentations, transcripts of conference calls, annual reports, upcoming events, shares and dividend information and factsheets.

Interaction with shareholders

The Group has a dedicated investor relations team (IR team) which focuses on facilitating communications with shareholders and analysts on a regular basis and attending to their queries or concerns.

The IR team conducts road shows (together with key management personnel) and participates in investor seminars and conferences to keep the market and investors apprised of the Group’s corporate developments and financial performance.

During FY2013, the IR team, together with senior management, engaged with more than 100 Singapore and foreign investors at conferences, road shows as well as one-on-one and group meetings. The aims of such engagements are to:

- Provide shareholders and investors with relevant information promptly, to enable them to have a better understanding of the Group’s businesses and performance; and
- Solicit feedback from the investment community, including shareholders, on a range of strategic and topical issues. Such engagements provide invaluable insights to the Board and management on investors’ views. It also helps the Group to identify areas of improvement for investor communication.

Dividend policy

The Board aims to declare and pay annual dividend which is no less than (a) [xx] % of the annual net profit before tax or (b) [xx] cents per share, whichever is higher. In considering the level of dividend payments, the Board takes into account various factors including:

- The level of our available cash;
- The return on equity and retained earnings; and
- Our projected levels of capital expenditure and other investment plans.
Commentary:

**Steps taken to solicit and understand the views of the shareholders**

The 2012 Code introduced a new Guideline requiring the Board to disclose the steps it has taken to solicit and understand the views of the shareholders e.g., through analyst briefings, investor road shows or Investors' Day briefings.

**Policy on payment of dividends**

The 2012 Code introduced a new Guideline whereby companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders.

Where dividends are not paid, companies should disclose their reasons.
D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 16: Conduct of shareholders meetings

The Group supports and encourages active shareholder participation at general meetings. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers, as well as posted on the company website.

The Company’s Articles of Association allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf. The Company’s Articles of Association also allows investors, who hold shares through nominees such as CPF and custodian banks, to attend and vote at the general meetings without being constrained by the two-proxy rule. As the authentication of shareholder identity information and other related security issues still remain a concern, the Group has decided, for the time being, not to implement voting in absentia by mail, email or fax.

Commentary:

There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid “bundling” resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders’ queries at these meetings.

The external auditors should also be present to address shareholders’ queries about the conduct of audit and the preparation and content of the auditor’s report.

Companies should prepare minutes of general meetings that include substantial and relevant comments and queries from shareholders relating to the agenda of the meeting, and responses from the Board and management, and to make these minutes available to shareholders upon their request.

All resolutions to be voted by poll

The 2012 Code introduced a new Guideline requiring companies to:

- Put all resolutions to vote by poll.
- Make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.
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