

Corporate Governance

The Board and management of Keppel Corporation Limited (“KCL” or the “Company”) firmly believe that a genuine commitment to good corporate governance is essential to the sustainability of the Company’s businesses and performance, and are pleased to confirm that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012¹ (the “2012 Code”).

The following describes the Company’s corporate governance practices with specific reference to the 2012 Code.

Board’s Conduct of Affairs

Principle 1:

Effective board to lead and control the Company

Principle 3:

Chairman and Chief Executive Officer should in principle be separate persons to ensure appropriate balance of power, increased accountability and greater capacity of the board for independent decision making

Governance Framework: KCL’s governance structure is as follows:

Dr Lee Boon Yang is the non-executive and independent Chairman of the Company. Mr Loh Chin Hua is the CEO of the Company.

The Chairman, with the assistance of the Company Secretaries, schedules meetings and prepares meeting agenda to enable the Board to perform its duties responsibly having regard to the flow of the Company’s operations. He sets guidelines on and monitors the flow of information from management to the Board to ensure that all material information is provided in a timely manner to the Board for the Board to make good decisions. He also encourages constructive relations between the Board and management, and between the executive and non-executive directors. At annual general meetings and other shareholders’ meetings, the Chairman ensures constructive dialogue between shareholders, the Board and management. The Chairman 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 Secretaries and management.

To assist the Board in the discharge of its oversight function, various board committees, namely the Audit, Board Risk, Nominating, Remuneration, and Board Safety Committees, have been constituted with clear written terms

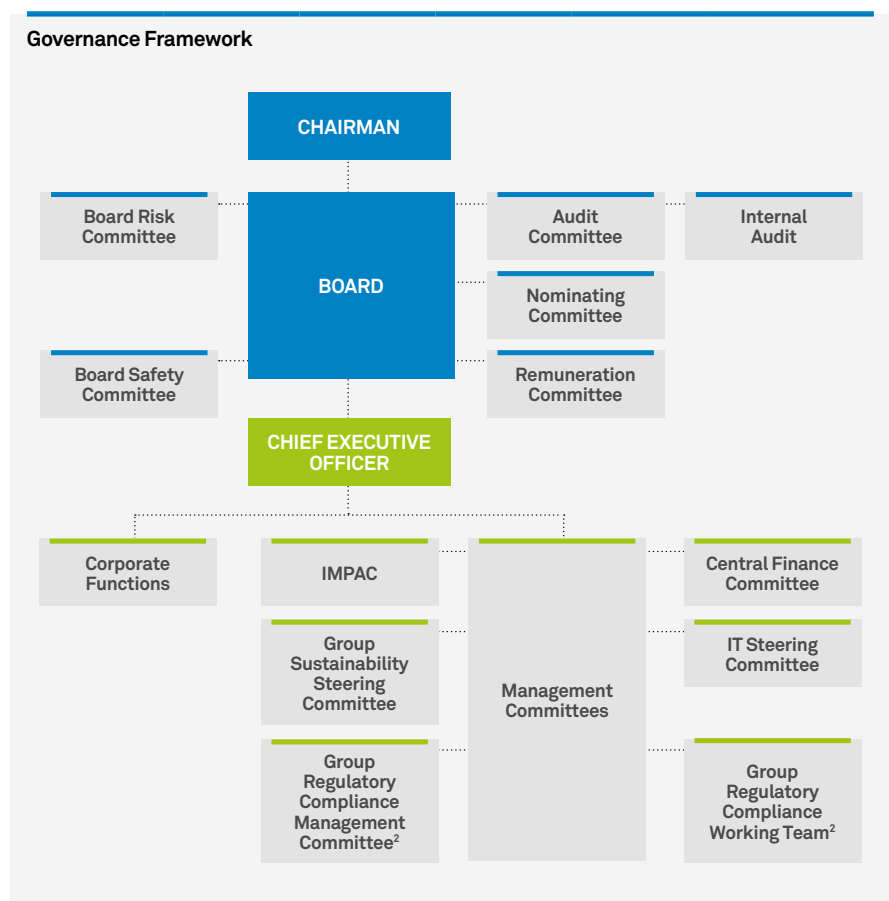
of reference. All the board committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group. The responsibilities and authority of the board committees are set out in their respective terms of reference (see Appendix for details).

The CEO, assisted by the management team, makes strategic proposals to the Board and after robust and constructive board discussions, executes the agreed strategy, manages and develops the Group’s businesses and implements the Board’s decisions. He is supported by management committees that direct and guide management on operational policies and activities, which includes:

- (1) *Investments & Major Projects Action Committee (IMPAC)*, which evaluates, guides and optimises proposed Group investments and divestments exceeding prescribed value thresholds;
- (2) *Management Development Committee*, which nominates candidates as nominee directors to the boards of each unlisted company or entity that the Company is invested in (“Investee Company”) so as to safeguard the Company’s investment. In respect of Investee Companies that

are (a) listed on a stock exchange, (b) managers or trustee-managers of any collective investment schemes, business trusts or any other trusts which are listed on a stock exchange, or (c) parent companies of the Company’s core businesses, the Committee will recommend the candidates for the approval of the Nominating Committee;

- (3) *Central Finance Committee*, which reviews, guides and monitors financial policies and activities of Group companies;
- (4) *Enterprise Risk Management Committee*, which drives and coordinates the Group’s risk management efforts, and implements the Enterprise Risk Management framework and processes;
- (5) *Group Regulatory Compliance Management Committee (Group RCMC)*, which articulates the Group’s commitment to regulatory compliance, directs and supports the development of over-arching compliance policies and guidelines, and facilitates the implementation and sharing of policies and procedures across the Group²;
- (6) *Group Regulatory Compliance Working Team (Group RCWT)*, which supports the Group RCMC and oversees the development and review of over-arching compliance policies and



- guidelines for the Group, as well as reviewing training and communication programmes²;
- (7) *Keppel IT Steering Committee*, which provides strategic information technology (IT) leadership and ensures IT strategy alignment in achieving business strategies; and
- (8) *Group Sustainability Steering Committee*, which sets the sustainability strategy and leads performance in key focus areas.

Board Matters

Role: The principal functions of the Board are to:

- decide on matters in relation to the Group's activities which are of a significant nature, including decisions on strategic directions and guidelines and the approval of periodic plans and major investments and divestments;
- oversee the business and affairs of the Company, establish, with management, the strategies and financial objectives to be implemented by management, and monitor the performance of management;
- set the Company's values and standards (including ethical standards);
- oversee processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy of such processes;
- assume responsibility for corporate governance; and
- consider sustainability issues such as environmental and social factors as part of its strategic formulation.

Board Strategic Review: The Board periodically reviews and approves the Group's strategic plans. In FY 2014, the Board approved the Group's Vision 2020³, which sets out the vision, operating principles and values of the Group, as well as the roadmap⁴ to take the Group's businesses into 2020 to achieve faster growth, build a stronger Keppel that fully captures the significant synergies within and among its Group companies, and fully develop the potential of its people.

Review Process: A process is in place to support the Board in reviewing and monitoring the Group's strategic plans, including providing directors with the necessary context and opportunity to undertake effective and robust deliberation and debate. In this regard, a two-day off-site board strategy meeting is organised annually for in-depth discussion on strategic issues and direction of the Group. This is followed

by an update of each business unit's strategic plans for alignment with the Group's strategy. To support the Board's oversight of the implementation of the strategic plans, one business unit is invited to each quarterly Board meeting to present on its plans and current challenges, and to provide the Board an opportunity to perform an in-depth review into each of the Group's core businesses.

Independent Judgment: All directors are expected to exercise independent judgment in the best interests of the Company. This is one of the performance criteria for the peer and self assessment on the effectiveness of the individual directors. Based on the results of the peer and self assessment carried out by the directors for FY 2016, all directors have discharged this duty consistently well.

Conflicts of Interest: Every director is required to declare any conflict of interest in a transaction or proposed transaction with the Company as soon as is practicable after the relevant facts have come to his/her knowledge. On an annual basis, each director is also required to submit details of his/her associates for the purpose of monitoring interested persons transactions.

Meetings: The Board meets six times a year and as warranted by particular circumstances. Board meetings are scheduled and circulated to the directors prior to the start of the financial year to allow directors to plan ahead to attend such meetings, so as to maximise participation. Telephonic attendance and conference via audio-visual communication at board meetings are allowed under the Company's constitution. Further, the non-executive directors meet without the presence of management after each board meeting as well as on a need-be basis. The number of board and board committee meetings held in FY 2016, as well as the attendance of each Board member at these meetings, are disclosed in Table 1 on page 66 of this report.

If a director were unable to attend a board or board committee meeting, he/she

would still receive all the papers and materials for discussion at that meeting. He/she would review them and advise the Chairman or board committee chairman of his or her views and comments on the matters to be discussed, so that they may be conveyed to other members at the meeting.

Internal Limits of Authority: The Company has adopted internal guidelines setting forth matters that require board approval. Under these guidelines, (a) new investments or increase in investments, (b) acquisition and disposal of assets and (c) capital equipment purchase and/or lease, exceeding \$30 million by any Group company (not separately listed), and all commitments to term loans and lines of credit from banks and financial institutions by the Company, require the approval of the Board. Each Board member has equal responsibility to oversee the business and affairs of the Company. Management, on the other hand, is responsible for the day-to-day operation and administration of the Company in accordance with the policies and strategy set by the Board.

Director Orientation: A formal letter is sent to newly-appointed directors upon their appointment explaining their duties and obligations as a board director. All newly-appointed directors receive a director tool-kit and undergo a comprehensive orientation programme, which includes site visits and management presentations on the Group's businesses, strategic plans and objectives.

Training: The directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, changes in the Companies Act, continuing listing obligations and industry-related matters, so as to update and refresh them on matters that may affect or enhance their performance as board or board committee members. A training programme is also in place for directors in areas such as accounting, finance, risk governance and management, the roles and

¹ The Code of Corporate Governance 2012 issued by the Monetary Authority of Singapore on 2 May 2012.

² The Group RCMC and Group RCWT were set up in October 2015 and operationalised in 2016.

³ With effect from FY 2014, the vision of the Company is to be a global company at the forefront of its chosen industries, shaping the future for the benefit of all its stakeholders – Sustaining Growth, Empowering Lives and Nurturing Communities. Guided by its operating principles and core values, the Company's mission is to execute its business in Offshore & Marine, Property, Infrastructure and Investments profitably, safely and responsibly.

⁴ This roadmap includes four broad areas for sustainable growth: (1) *Business*: Setting the overarching strategies, targets, and key actions to be undertaken by the business units; (2) *People*: Building a robust succession pipeline and continued strong employee satisfaction; (3) *Process*: Pursuing excellence in safety, productivity and innovation; and (4) *Corporate Citizenry*: Formalising and further organising community outreach efforts to positively impact communities in which the Group operates.

Corporate Governance

Table 1

| | Board Committee Meetings | | | | | |
|-----------------------------|--------------------------|----------|------------|--------------|----------|----------|
| | Board Meetings | Audit | Nominating | Remuneration | Safety | Risk |
| Lee Boon Yang | 11 | - | 3 | 7 | 4 | - |
| Loh Chin Hua | 11 | - | - | - | 4 | - |
| Oon Kum Loon ¹ | 5 of 5 | 3 of 3 | - | 4 of 4 | - | 2 of 2 |
| Tow Heng Tan | 10 | - | 3 | 7 | - | 3 |
| Alvin Yeo Khirn Hai | 9 | 4 | 2 | - | - | - |
| Tan Ek Kia ² | 11 | 1 of 1 | 2 of 2 | - | 4 | 4 |
| Danny Teoh ³ | 11 | 5 | - | 7 | - | 4 |
| Tan Puay Chiang | 11 | - | 3 | - | 4 | 4 |
| Till Vestring ⁴ | 10 | - | 3 | 7 | - | - |
| Veronica Eng ⁵ | 11 | 5 | - | - | - | 4 |
| No. of Meetings Held | 11 | 5 | 3 | 7 | 4 | 4 |

Notes:

¹ Mrs Oon Kum Loon retired as director and ceased to be Chairman of the Board Risk Committee, and member of the Audit Committee and Remuneration Committee, with effect from 1 May 2016.

² Mr Tan Ek Kia ceased to be a member of the Nominating Committee, and was appointed as member of the Audit Committee, with effect from 1 August 2016.

³ Mr Danny Teoh stepped down as Chairman of the Remuneration Committee on 1 May 2016 but continues to be a member thereof.

⁴ Mr Till Vestring was appointed as Chairman of the Remuneration Committee on 1 May 2016.

⁵ Ms Veronica Eng was appointed as Chairman of the Board Risk Committee on 1 May 2016.

responsibilities of a director of a listed company and industry-specific matters. In FY 2016, some KCL directors attended talks on topics relating to corporate governance and compliance (including case studies), competition law, financial reporting updates and macroeconomic trends. Site visits are also conducted periodically for directors to familiarise them with the operations of the various businesses, so as to enhance their performance as board or board committee members.

Board Composition and Succession Planning

Principle 2:

Strong and independent element on the Board

Board Composition and Succession Planning:

To discharge its oversight responsibilities, the Board must be an effective board which can lead and control the business of the Group. There is a process of refreshing the Board progressively over time so that the experience of longer serving directors can be drawn upon, while tapping into the new external perspectives and insights which more recent appointees bring to the Board's deliberation.

On 1 May 2016, Mrs Oon Kum Loon retired from the Board and Ms Veronica Eng replaced Mrs Oon as Chairman of the Board Risk Committee. On the same day, Mr Till Vestring was appointed as Chairman of the Remuneration Committee, replacing Mr Danny Teoh who is the

Chairman of the Audit Committee. Mr Teoh continues to be a member of the Remuneration Committee. Further, Mr Tan Ek Kia ceased to be a member of the Nominating Committee and was appointed as member of the Audit Committee, with effect from 1 August 2016.

Board Independence: The Nominating Committee determines, on an annual basis, whether or not a director is independent bearing in mind the 2012 Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. The Committee carried out the review on the independence of each non-executive director in January 2017, based on the respective directors' self-declaration in the Directors' Independence Checklist and their actual performance on the Board and board committees.

In this connection, the Committee (save for Mr Alvin Yeo who abstained from deliberation in this matter) noted that Mr Alvin Yeo is Senior Partner of WongPartnership LLP, which is one of the law firms providing legal services to the Group. Mr Yeo had declared to the Committee that he did not have a 10% or more stake in WongPartnership LLP and did not involve himself in the selection and appointment of legal counsels for the Group. The Committee also took into account Mr Yeo's actual performance on the Board and board committees and the outcome of the recent self and peer Individual Director Performance

assessment, and agreed that Mr Yeo has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

The Committee also noted that Mr Tan Ek Kia is a non-executive and independent director on the board of TransOcean Ltd which has business dealings with the Keppel Offshore & Marine Group. Mr Tan had declared to the Committee that he was not involved in the negotiation of contracts or business dealings between the companies. The Committee also took into account Mr Tan's actual performance on the Board and board committees and the outcome of the recent self and peer Individual Director Performance assessment and agreed that Mr Tan has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

The Committee (save for Mr Till Vestring who abstained from deliberation in this matter) also noted that Mr Till Vestring is a partner in Bain & Company's Southeast Asia office which has performed consulting services for the Group. Mr Vestring had declared to the Committee that (a) he did not have a 10% or more stake in Bain & Company, (b) he was not involved in any services that Bain & Company provided to the Group; and (c) he would recuse himself from any decision making process undertaken

by the Board or board committees in connection with awarding a consultancy contract and Bain & Company was involved. The Committee also took into account Mr Vestring's actual performance on the Board and board committees and the outcome of the recent self and peer Individual Director Performance assessment and agreed that Mr Vestring has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.

Further, a director who is directly associated with a 10% shareholder is deemed as non-independent under the 2012 Code. Mr Tow Heng Tan was previously the Chief Investment Officer of Temasek Holdings (Private) Limited ("Temasek"). He ceased to be employed by Temasek since 2012 and is currently the Chief Executive Officer of Pavilion Capital International Pte Ltd, a wholly-owned subsidiary of Temasek. As Mr Tow is currently employed by a wholly-owned subsidiary of Temasek, the Committee (save for Mr Tow who abstained from deliberation in this matter) continued to deem Mr Tow as a non-independent and non-executive director.

The Board concurred with the reasons set forth by the Nominating Committee and was of the view that Dr Lee Boon Yang, Mr Alvin Yeo, Mr Tan Ek Kia, Mr Danny Teoh, Mr Tan Puay Chiang, Mr Till Vestring and Ms Veronica Eng should be deemed independent. None of the directors deemed independent had served more than nine years from date of first appointment.

Board Size: The Board, in concurrence with the Nominating Committee, was of the view that, taking into account the nature and scope of the operations of the Company, the requirements of the Company's businesses and the need to avoid undue disruptions from changes to the composition of the Board and board committees, the Board should consist of approximately 10 to 12 members, which would facilitate effective decision making. The Board currently comprises majority independent directors with a total of nine directors of whom seven are independent. The Board is currently sourcing for a suitable additional member. No individual or small group of individuals dominate the Board's decision making.

The nature of the directors' appointments on the Board and details of their membership on board committees are set out on page 81 herein.

Board Competency: The Nominating Committee is satisfied that the Board and the board committees comprise directors who, as a group, provide an appropriate balance and diversity of skills, experience, gender, knowledge of the Group, core competencies such as accounting or finance, business or management experience, human resource, risk management, technology, mergers and acquisitions, legal, international perspective, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and the board committees to be effective.

In this respect, the Nominating Committee recognises the merits of gender diversity in relation to the composition of the Board and, in identifying suitable candidates for new appointment to the Board, would ensure that female candidates are included for consideration. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors and Board succession planning. In FY 2016, there was one female director out of a total of nine directors.

Board Information: The Board and management fully appreciate that fundamental to good corporate governance is an effective and robust Board whose members engage in open and constructive debate and challenge management on its assumptions and proposals, and that for this to happen, the Board, in particular, the non-executive directors, must be kept well-informed of the Company's business and affairs and be knowledgeable about the industry in which the businesses operate. The Company has therefore adopted initiatives to put in place processes to ensure that the non-executive directors are well supported by accurate, complete and timely information, have unrestricted access to management, and have sufficient time and resources to discharge their oversight function effectively.

These initiatives include regular informal meetings for management to brief the directors on prospective deals and potential developments at an early stage before formal board approval is sought, and the circulation of relevant information on business initiatives, industry developments, and analyst and press commentaries on matters in relation to the Company or the industries in which it operates. A two-day off-site board strategy meeting is organised annually

for in-depth discussion on strategic issues and direction of the Group, to give the non-executive directors a better understanding of the Group and its businesses, and to provide an opportunity for the non-executive directors 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.

Non-executive Directors' Meetings:

The non-executive directors set aside time at each scheduled quarterly meeting to meet without the presence of management to discuss matters such as board processes, corporate governance initiatives, matters which they wish to discuss during the board off-site strategy meeting, succession planning and leadership development, and performance management and remuneration matters. Such meetings may also be scheduled on a need-be basis.

Board Membership

Principle 4:

Formal and transparent process for the appointment and re-appointment of directors to the Board

Nominating Committee

The Company has established a Nominating Committee (NC) to, among other things, make recommendations to the Board on all board appointments and oversee the Board and senior management's succession and leadership development plans. The NC comprises entirely non-executive directors, four out of five of whom (including the Chairman) are independent, namely:

- Mr Tan Puay Chiang
Independent Chairman
- Dr Lee Boon Yang
Independent Member
- Mr Tow Heng Tan
Non-Executive and
Non-Independent Member
- Mr Alvin Yeo
Independent Member
- Mr Till Vestring
Independent Member

The responsibilities of the NC are set out on pages 79 and 80 herein.

Process for Appointment of New Directors and Board Succession Planning

The NC is responsible for reviewing the succession plans for the Board. In this regard, it has put in place a formal process for the renewal of the Board and the selection of new directors.

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The NC leads the process and makes recommendations to the Board as follows:

- (a) NC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making.
- (b) In the light of such review and in consultation with management, the NC assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.
- (c) External help (for example, Singapore Institute of Directors, search consultants, open advertisement) may be used to source for potential candidates if need be. Directors and management may also make recommendations.
- (d) NC meets with the short-listed candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- (e) NC makes recommendations to the Board for approval.

The Board believes that orderly succession and renewal is achieved as a result of careful planning, where the appropriate composition of the Board is continually under review.

Criteria for Appointment of New Directors

All new appointments are subject to the recommendation of the NC based on the following objective criteria:

- (1) Integrity
- (2) Independent mindedness
- (3) Diversity – Possess core competencies that meet the needs of the Company and complement the skills and competencies of the existing directors on the Board
- (4) Able to commit time and effort to carry out duties and responsibilities effectively
- (5) Track record of making good decisions
- (6) Experience in high-performing companies
- (7) Financially literate

Re-nomination of Directors

The NC is also charged with the responsibility of re-nomination having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual director by his/her peers.

The directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to the Company's constitution, one-third of the directors retire from office at the Company's annual general meeting, and a newly appointed director must submit himself/herself for re-election at the annual general meeting immediately following his/her appointment.

Annual Review of Board Committees Composition

The NC reviews the composition of the board committees on an annual basis to ensure that they comprise members with the necessary qualifications and skills to discharge their responsibilities effectively.

Annual Review of Directors' Independence

The NC is also charged with determining the "independence" status of the directors annually. Please refer to page 66 herein on the basis of the NC's determination as to whether a director should or should not be deemed independent.

Annual Review of Directors' Time Commitments

The NC has adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards and/or have other principal commitments.

The NC determines annually whether a director with other listed company board representations and/or other principal commitments is able to and has been adequately carrying out his duties as a director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual director, the level of commitment required of the director's other principal commitments, and the respective directors' actual conduct and participation on the Board and board committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings, in making this determination.

In respect of FY 2016, the NC was of the view that each director has given sufficient time and attention to the affairs of the Company and has been able to discharge his/her duties as director effectively. The NC noted that based on the attendance of board and board committee meetings during the year, all the directors were able to participate in at least a substantial number of such meetings to carry out their duties. The NC also noted that, based on the

Independent Co-ordinator's Report on individual director assessment for FY 2016, all the directors performed well. The NC was therefore satisfied that in FY 2016, where a director had other listed company board representations and/or other principal commitments, the director was able and had been adequately carrying out his/her duties as a director of the Company.

Nominee Director Policy

At the recommendation of the NC, the Board approved the adoption of the KCL Nominee Director Policy in January 2009. For the purposes of the policy, a "Nominee Director" is a person who, at the request of KCL, acts as director (whether executive or non-executive) on the board of another company or entity ("Investee Company") to oversee and monitor the activities of the relevant Investee Company so as to safeguard KCL's investment in the company.

The purpose of the policy is to highlight certain obligations of a person while acting in his/her capacity as a Nominee Director. The policy also sets out the internal process for the appointment and resignation of a Nominee Director. The policy would be reviewed and amended as required to take into account current best practices and changes in the law and stock exchange requirements.

Key Information Regarding Directors

The following key information regarding directors is set out in the following pages of this Annual Report:

Pages 20 to 23: Academic and professional qualifications, board committees served on (as a member or Chairman), date of first appointment as director, date of last re-election as director, directorships or chairmanships both present and past held over the preceding five years in other listed companies and other major appointments, whether appointment is executive or non-executive, whether considered by the NC to be independent; and

Pages 103 to 104: Shareholding in the Company and its subsidiaries.

Board Performance

Principle 5:

Formal assessment of the effectiveness of the Board and Board Committees and the contribution by each director to the effectiveness of the Board

The Board has implemented formal processes for assessing the effectiveness of the Board as a whole and its board

committees, the contribution by each individual director to the effectiveness of the Board, as well as the effectiveness of the Chairman of the Board.

Independent Co-ordinator: To ensure that the assessments are done promptly and fairly, the Board has appointed an independent third party (the “Independent Co-ordinator”) to assist in collating and analysing the returns of the board members. Mrs Fang Ai Lian, former Chairman, Ernst & Young and Great Eastern Holdings Ltd, and currently Advisor to Far East Organisation, was appointed for this role. Mrs Fang Ai Lian does not have business relationships or any other connections with the Company which may affect her independent judgment.

Formal Process and Performance

Criteria: The evaluation processes and performance criteria are disclosed in the Appendix to this report.

Objectives and Benefits: The board assessment exercise provides an opportunity to obtain constructive feedback from each director on whether the Board’s procedures and processes allow him/her to discharge his/her duties effectively and the changes which should be made to enhance the effectiveness of the Board and/or board committees. The assessment exercise also helps the directors to focus on their key responsibilities. The individual director assessment exercise allows for peer review, with a view to raising the quality of board members. It also assists the NC in determining whether to re-nominate directors who are due for retirement at the next annual general meeting, and in determining whether directors with multiple board representations are nevertheless able to and have adequately discharged their duties as directors of the Company.

Access to Information

Principle 6:
Board members to have complete, adequate and timely information

As a general rule, board papers are required to be distributed to the directors at least seven days before the board meeting so that the members may better understand the matters prior to the board meeting and discussion may be focused on questions that the directors may have. Directors are provided with tablet devices to enable them to access and read the board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being

distributed. Managers who can provide additional insights into the matters at hand would be present at the relevant time during the board meeting.

The directors are also provided with the names and contact details of the Company’s senior management and the Company Secretaries to facilitate direct access to senior management and the Company Secretaries.

The Company fully recognises that the flow of relevant information on an accurate and timely basis is critical for the Board to be effective in the discharge of its duties. Management is therefore expected to provide the Board with accurate information in a timely manner concerning the Company’s progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing the Company.

Management also provides the Board members with management accounts on a monthly basis and as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, of the Group’s performance, financial position and prospects.

The Company Secretaries administer, attend and prepare minutes of board proceedings. They assist the Chairman to ensure that board procedures (including but not limited to assisting the Chairman to ensure timely and good information flow to the Board and board committees, and between senior management and the non-executive directors, and facilitating orientation and assisting in the professional development of the directors) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company’s constitution and relevant rules and regulations, including requirements of the Companies Act, Securities & Futures Act and Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX”), are complied with. They also assist the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term shareholder value. They are also the primary channel of communication between the Company and the SGX.

The appointment and removal of the Company Secretaries are subject to the approval of the Board.

Subject to the approval of the Chairman, the directors, whether as a group or

individually, may seek and obtain independent professional advice to assist them in their duties, at the expense of the Company.

Remuneration Matters

Principle 7:

The procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors should be formal and transparent

Principle 8:

The level and structure of director fees are aligned with the long-term interest of the Company and appropriate to attract, retain and motivate directors to provide good stewardship of the Company

The level and structure of key management remuneration are aligned with the long-term interest and risk policies of the Company and appropriate to attract, retain and motivate key management to successfully manage the Company

Principle 9:

There should be clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration

Remuneration Committee

The Remuneration Committee (RC) comprises entirely of non-executive directors, three out of four of whom (including the Chairman) are independent, namely:

- Mr Till Vestring
Independent Chairman
- Dr Lee Boon Yang
Independent Member
- Mr Danny Teoh
Independent Member
- Mr Tow Heng Tan
Non-Executive and
Non-Independent Member

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for determining the remuneration packages of individual directors and senior management. The RC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholder value. The RC recommends to the Board for endorsement a framework of remuneration (which covers all aspects of remuneration including directors’ fees, salaries, allowances, bonuses, grant of shares and benefits in kind) and the specific remuneration packages for each director and the key

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management personnel. The RC also reviews the remuneration of senior management and administers the KCL Share Option Scheme in respect of the outstanding options granted prior to the termination of the KCL Share Option Scheme at end-2010, the KCL Restricted Share Plan (the “KCL RSP”) and the KCL Performance Share Plan (the “KCL PSP”). In addition, the RC reviews the Company’s obligations arising in the event of termination of the executive directors’ and key management personnel’s contract of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC has access to expert advice from external remuneration consultants where required. In FY 2016, the RC sought views on market practice and trends from external remuneration consultants, Aon Hewitt. The RC undertook a review of the independence and objectivity of the external remuneration consultants through discussions with the external remuneration consultants, and has confirmed that the external remuneration consultants had no relationships with the Company which would affect their independence and objectivity.

Annual Remuneration Report Policy in Respect of Non-Executive Directors’ Remuneration

Each non-executive director’s remuneration comprises a basic fee, attendance fee and, if the director is

required to travel out of his/her country of residence to attend meetings or events or for any other purpose of the Company, travel allowance. In addition, non-executive directors who perform additional services on board committees are paid an additional fee for such services. The Chairman 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 non-executive directors participated in additional ad-hoc meetings with management and are not paid for attending such meetings. Executive directors are not paid directors’ fees.

The directors’ fee structure, which remains unchanged since FY 2013, is set out in Table 2.

Each of the non-executive directors (including the Chairman) will receive 70% of his/her total directors’ fees in cash (“Cash Component”) and 30% in the form of KCL shares (“Remuneration Shares”) (both amounts subject to adjustment as described below). The actual number of Remuneration Shares, to be purchased from the market on the first trading day immediately after the date of the Annual General Meeting (“Trading Day”) for delivery to the respective non-executive directors, will be based on the market price of the Company’s shares on the SGX on the Trading Day. The actual number of

Remuneration Shares will be rounded down to the nearest thousand and any residual balance will be paid in cash. Such incorporation of an equity component in the total remuneration of the non-executive directors is intended to achieve the objective of aligning the interests of the non-executive directors with those of the shareholders’ and the long term interests of the Company. The aggregate directors’ fees for non-executive directors is subject to shareholders’ approval at the Annual General Meeting. The Chairman and the non-executive directors will abstain from voting, and will procure their respective associates to abstain from voting in respect of this resolution.

Remuneration policy in respect of Executive Directors and other Key Management Personnel

The Company advocates a performance-based remuneration system that is highly flexible and responsive to the market, Company’s, business unit’s and individual employee’s performance.

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 total remuneration mix comprises three key components; that is, annual fixed cash, annual performance incentive, and the

Table 2

| | | Basic Fee (per annum) |
|--|-----------------|---|
| Board Chairman | | \$750,000 (all-in) |
| Board Member | | \$81,000 |
| | | Additional Fees for Membership in Board Committees (per annum) |
| | Chairman | Member |
| Audit Committee | \$50,000 | \$27,000 |
| Board Risk Committee | \$50,000 | \$27,000 |
| Remuneration Committee | \$35,000 | \$23,000 |
| Board Safety Committee | \$35,000 | \$23,000 |
| Nominating Committee | \$30,000 | \$18,000 |
| | | Attendance Fee (per meeting) |
| Board & Non-Executive Directors’ Meetings | Singapore | \$3,000 |
| | Overseas | \$5,000 |
| Committee Meeting | Singapore | \$1,500 |
| | Overseas | \$3,000 |
| Director’s Allowance (for overseas travel) | | \$1,000 per event day |

KCL Share Plans. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances, which the Company benchmarks with the relevant industry market median. The annual performance incentive is tied to the Company's, business unit's and individual employee's performance, inclusive of a portion which is tied to Economic Value Added (EVA) performance. The KCL Share Plans are in the form of two share plans approved by shareholders, the KCL RSP and the KCL PSP. The EVA performance incentive plan and the KCL Share Plans are long-term incentive plans. Executives who have a greater ability to influence Group outcomes have a greater proportion of overall reward at risk.

The RC exercises broad discretion and independent judgment in ensuring that the amount and mix of compensation is aligned with the interests of shareholders and promotes the long-term success of the Company. The mix of fixed and variable reward is considered appropriate for the Group and for each individual role.

The compensation structure is directly linked to corporate and individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth. This link is achieved in the following ways:

- (a) by placing a significant portion of executives' remuneration at risk ("At Risk component") and in some cases, subject to a vesting schedule;
- (b) by incorporating appropriate key performance indicators ("KPIs") for awarding of annual cash incentives:
 - a. There are four scorecard areas that the Company has identified as key to measuring the performance of the Group – (i) Financial; (ii) Process; (iii) Stakeholders; and (iv) People. Some of the key sub-targets within each of the scorecard areas include key financial indicators, safety goals, risk management and controls measures, corporate social responsibilities activities, employee engagement, talent development and succession plan;
 - b. The four scorecard areas have been chosen because they support how the Group achieves its strategic objectives. The framework provides a link for staff to understand how they contribute to each area of the scorecard, and therefore to the Company's overall strategic goals. This is designed to achieve a

- consistent approach and understanding across the Group;
- (c) by selecting performance conditions such as Return on Equity (ROE), Total Shareholder Return and EVA for equity awards that are aligned with shareholder interests;
- (d) by requiring those KPIs or conditions to be met in order for the At Risk components of remuneration to be awarded or to vest; and
- (e) by forfeiting the At Risk components of remuneration when those KPIs or conditions are not met at a satisfactory level.

The RC also recognises the need for a reasonable alignment between risk and remuneration to discourage excessive risk taking. Therefore, in determining the compensation structure, the RC had taken into account the risk policies and risk tolerance of the Group as well as the time horizon of risks, and incorporated risk-adjustments into the compensation structure through several initiatives, including but not limited to:

- (a) prudent funding of annual cash incentives;
- (b) bonus deferrals under the EVA performance incentive plan;
- (c) vesting of contingent share awards under the KCL Share Plans being subject to KPIs and/or performance conditions being met; and
- (d) potential forfeiture of variable incentives in any year due to misconduct.

The RC is of the view that the overall level of remuneration is not considered to be at a level which is likely to promote behaviours contrary to the Group's risk profile.

In determining the actual quantum of variable component of remuneration, the RC had taken into account the extent to which the performance conditions, set forth above, have been met. The RC is therefore of the view that remuneration is aligned to performance during FY 2016.

In order to align the interests of executive director and key management personnel with that of shareholders, the executive director and key management personnel are remunerated partially in the form of shares in the Company and are encouraged to hold such shares while they remain in the employment of the Company.

The directors, the CEO and the key management personnel (who are not directors or the CEO) are remunerated on an earned basis and there are no

termination, retirement and post-employment benefits that are granted over and above what has been disclosed.

Long-term Incentive Plans

EVA Incentive Plan

Each year, the current year's EVA bonus earned is added to the accrued EVA bank balance of the preceding year and thereafter one-third ($\frac{1}{3}$) is paid out provided the total EVA balance is positive. The remaining two-third ($\frac{2}{3}$) of the total EVA balance is credited to the executive's EVA Bank for payment in future years, subject to the continued EVA performance of the Company. The EVA bank concept is used to defer incentive compensation over a time horizon, to ensure that the executive continues to generate sustainable shareholder value over the longer term. The EVA bank account is designated on a personal basis and represents the executive's contribution to the EVA performance of the Company. Monies credited into the EVA bank are at risk in that the amount in the bank can decrease should EVA performance turn negative in the future years.

KCL Share Plans

The KCL Share Plans are put in place to increase the Group's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance, and to motivate them to continue to strive for the Group's long-term shareholder value. The KCL Share Plans also aim to strengthen the Group's competitiveness in attracting and retaining talented key senior management and employees. The KCL RSP applies to a broader base of employees while the KCL PSP applies to a selected group of key management personnel. Generally, it is envisaged that the range of performance targets to be set under the KCL RSP and the KCL PSP will be different, with the latter emphasising stretched or strategic targets aimed at sustaining longer-term growth.

In 2014 / 2015, the Board undertook a comprehensive review of the Group's strategy. Stretched performance targets were set by the Board for 2020, resulting in the need to transform the Group's business.

To achieve these targets, which are reflected in a Group 2020 Scorecard, Keppel would need to build strong verticals and leverage on synergies across its portfolio of businesses to unlock shareholders' value. The Group 2020 Scorecard targets are categorised into four key areas – (i) Financial, (ii) Process,

Corporate Governance

(iii) Customers/Stakeholders, and (iv) People; and requires the Management to review and reconfigure processes and systems, as well as to inculcate a fundamental shift in mindset and behaviours.

Given the changes required in the business model and the highly complex nature of the transformation, the Board has endorsed a remuneration model to align the transformation plan and executives' remuneration. The one-time Transformation Incentive Plan ("TIP"), which is awarded in the form of performance shares under KCL PSP, is a long-term incentive plan with a five-year performance period. Subject to meeting the performance conditions set, the vesting date is in 2021. After taking into account the ambitious performance conditions, the Board had also allowed for a re-testing of the performance conditions at the end of 2021.

Executives will only benefit from the TIP if the Group meets the stretched financial and non-financial targets linked to the Group 2020 Scorecard, and if the

executives meet or exceed their individual performance targets. In order to align the interests of the executives with those of shareholders, the TIP is directly linked to total shareholder return where the total shareholder return condition must be satisfied before any vesting shall occur. In addition, the vested shares are subject to a selling moratorium of one year.

The RC has the discretion not to award variable incentives in any year if an executive is directly involved in a material restatement of financial statements or of misconduct resulting in restatement of financial statements or of misconduct resulting in financial loss to the Company. Outstanding EVA bank, KCL RSP and KCL PSP are also subject to RC's discretion before further payment or vesting can occur.

Details of the KCL Share Plans are set out on pages 105 to 107 and 135 to 137.

In FY 2016, the Group undertook several rightsizing measures (in particular the

offshore and marine business) to stay ahead in the tough operating environment. In light of the continued uncertainties looming over the offshore and marine industry, KCL directors, key management personnel and the Group's senior management took a further step and collectively volunteered for a fee and base pay reduction respectively. Besides exemplifying solidarity across the Group, this also signalled the importance of maintaining a flexible cost structure.

Level and mix of remuneration of Directors and Key Management Personnel (who are not also Directors or the CEO) for the year ended 31 December 2016

All non-executive directors volunteered for a 10% reduction in their total fees for FY 2016. Mr Loh Chin Hua's monthly base salary was also voluntarily adjusted down by 10% with effect from 1 October 2016.

The resulting level and mix of each of the directors' remuneration after the reduction are set out below:

| Remuneration & Name of Director | Base/ Fixed Salary (\$) | Performance-Related Bonuses Earned ¹ (including EVA and non-EVA Bonuses) (\$) | | Directors' Total Fees ² (\$) | | Benefits- in-Kind (\$) | Contingent awards of shares ³ (\$) | | Total Remuneration (\$) |
|---------------------------------|----------------------------------|---|-----------------------|--|----------------------------------|------------------------------|---|---------|-------------------------------|
| | | Paid | Deferred & at risk | Cash component ⁴ | Shares component ⁴ | | PSP | RSP | |
| | | | | | | | | | |
| Loh Chin Hua ⁵ | 1,158,600 | 1,199,155 | 1,511,745 | – | – | n.m. ⁶ | 1,207,500 | 873,000 | 5,950,000 ⁷ |
| Lee Boon Yang | – | – | – | 472,500 | 202,500 | – | – | – | 675,000 |
| Oon Kum Loon ⁸ | – | – | – | 55,654 | 23,851 | – | – | – | 79,505 |
| Tow Heng Tan | – | – | – | 125,055 | 53,595 | – | – | – | 178,650 |
| Alvin Yeo Khirn Hai | – | – | – | 102,060 | 43,740 | – | – | – | 145,800 |
| Tan Ek Kia ⁹ | – | – | – | 137,505 | 58,931 | – | – | – | 196,436 |
| Danny Teoh ¹⁰ | – | – | – | 152,439 | 65,331 | – | – | – | 217,770 |
| Tan Puay Chiang | – | – | – | 135,135 | 57,915 | – | – | – | 193,050 |
| Till Vestring ¹¹ | – | – | – | 110,271 | 47,259 | – | – | – | 157,530 |
| Veronica Eng ¹² | – | – | – | 124,045 | 53,162 | – | – | – | 177,207 |

Notes:

- The RC is satisfied that the quantum of performance-related bonuses earned by the executive director was fair and appropriate taking into account the extent to which his KPIs for FY 2016 were met.
- Based on the non-executive directors' fee structure set out in Table 2, the total fees are \$2,245,497. After applying the 10% voluntary non-executive directors' fee reduction on this amount, the resulting directors' total fees amount to \$2,020,948. The directors' total fees are subject to shareholders' approval at the Company's Annual General Meeting.
- Shares awarded under the KCL PSP are subject to pre-determined performance targets over three- and five- year performance periods. Shares awarded under the KCL RSP are subject to pre-determined performance targets set over a one-year performance period. As at 29 April 2016 (being the grant date), the estimated value of each share granted in respect of the contingent awards under the KCL PSP were \$3.05 (PSP) and \$0.39 (PSP – TIP). The estimated value of each share granted in respect of the contingent award under the KCL RSP Plan was \$4.85. For the KCL PSP, the figures are based on the value of the PSP shares at 100% of the award and the figures may not be indicative of the actual value at vesting which can range from 0% to 150% of the award.
- The amounts stated may be adjusted as indicated on page 70 of this report.
- Mr Loh Chin Hua's monthly base salary had been reduced by 10% with effect from 1 October 2016.
- n.m. – not material
- Total remuneration shown above for Mr Loh Chin Hua does not include vested share of carried interests for funds created during the time he was Managing Director at Alpha Investment Partners. These carried interests are only earned at the end of the fund life and depends entirely on the actual performance of the funds after they have been liquidated.
- Mrs Oon Kum Loon retired from the Board with effect from 1 May 2016. Concurrently, Mrs Oon ceased to be Chairman of the Board Risk Committee and member of the Audit Committee and Remuneration Committee. Fees are pro-rated accordingly.
- Mr Tan Ek Kia ceased to be a member of the Nominating Committee and was appointed as a member of the Audit Committee with effect from 1 August 2016. Fees are pro-rated accordingly.
- Mr Danny Teoh ceased to be the Chairman of the Remuneration Committee with effect from 1 May 2016 but continues to be a member thereof. Fees are pro-rated accordingly.
- Mr Till Vestring ceased to be a member of the Remuneration Committee and was appointed as the Chairman of the Remuneration Committee with effect from 1 May 2016. Fees are pro-rated accordingly.
- Ms Veronica Eng ceased to be a member of the Board Risk Committee and was appointed as the Chairman of the Board Risk Committee with effect from 1 May 2016. Fees are pro-rated accordingly.

PSP and RSP Shares granted and vested for the Executive Director are shown below:

| Name of Executive Director | PSP Awards | Vesting Date | Contingent Awards of PSP Shares | Number of PSP Shares Vested | Value of PSP Shares Vested (\$) ¹³ | | RSP Awards | Vesting Date | Contingent Awards of RSP Shares | Number of RSP Shares Vested | Value of RSP Shares Vested (\$) ¹³ | |
|----------------------------|-------------|--------------|---------------------------------|-----------------------------|---|--|------------|--------------|---------------------------------|-----------------------------|---|---------|
| | | | | | | | | | | | | |
| Loh Chin Hua | 2013 Awards | 26 Feb 2016 | 0 to 139,800 ¹⁴ | 22,400 | 118,944 | | | | 87,995 ¹⁴ | 29,331 | 306,509 | |
| | | | | | | | | | | 29,331 | 256,940 | |
| | | | | | | | | | | 29,333 | 155,758 | |
| | 2014 Awards | 28 Feb 2017 | 0 to 270,000 | – | – | | | | | 150,000 | 50,000 | 438,000 |
| | | | | | | | | | | | 50,000 | 265,500 |
| | | | | | | | | | | | – | – |
| | 2015 Awards | 28 Feb 2018 | 0 to 330,000 | – | – | | | | | 150,000 | 50,000 | 265,500 |
| | | | | | | | | | | | – | – |
| | | | | | | | | | | | – | – |
| | 2016 Awards | 28 Feb 2019 | 0 to 450,000 ¹⁵ | – | – | | | | | 180,000 | – | – |
| – | | | | | | | | | | | – | |
| – | | | | | | | | | | | – | |
| – | | | | | | | | | | | – | |
| | | 26 Feb 2021 | 0 to 1,125,000 ¹⁶ | – | – | | | | | – | – | |

Notes:

¹³ The value of the shares vested under KCL PSP and RSP is computed based on the market price of the shares when the shares are credited to the employee's CDP account. The RC is satisfied that the value of the shares vested under the KCL PSP and RSP to the executive director was fair and appropriate taking into account the extent to which his KPIs and performance conditions for FY 2016 were met.

¹⁴ Arising from the distribution of Keppel REIT unit by way of dividend in-specie on the basis of 1 Keppel REIT unit for every 5 KCL ordinary shares on 8 May 2013 and 8 Keppel REIT units for every 100 KCL ordinary shares on 13 September 2013, the RC approved the adjustments to unvested shares under the award.

¹⁵ Refers to contingent shares awarded under the KCL PSP.

¹⁶ Refers to one-time contingent shares awarded under the KCL PSP – TIP.

The total remuneration paid to the key management personnel (who are not directors or the CEO) in FY 2016 was \$14,595,840. The level and mix of each of the key management personnel (who are not also directors or the CEO) in bands of \$250,000 are set out below:

| Remuneration Band & Name of Key Management Personnel | Base/Fixed Salary | Performance-Related Bonuses Earned ¹⁷ (including EVA and non-EVA Bonuses) | | Benefits-in-Kind | Contingent awards of shares | |
|--|-------------------|--|--------------------|------------------|-----------------------------|------------------|
| | | Paid | Deferred & at risk | | PSP ¹⁸ | RSP |
| Above \$3,000,000 to \$3,250,000 | | | | | | |
| Ang Wee Gee | 28% | 21% | 18% | n.m. | 19% | 14% |
| Above \$2,750,000 to \$3,000,000 | | | | | | |
| Chan Hon Chew | 22% | 30% | 18% | n.m. | 15% | 15% |
| Above \$2,500,000 to \$2,750,000 | | | | | | |
| Ong Tiong Guan | 22% | 21% | 26% | n.m. | 15% | 16% |
| Above \$2,250,000 to \$2,500,000 | | | | | | |
| Chow Yew Yuen ¹⁹ | 42% | – | – | n.m. | 35% | 23% |
| Above \$2,000,000 to \$2,250,000 | | | | | | |
| Tan Hua Mui, Christina ²⁰ | 24% | 44% | 9% | n.m. | 12% | 11% |
| Above \$1,250,000 to \$1,500,000 | | | | | | |
| Pang Thieng Hwi, Thomas | 29% | 26% | 28% | n.m. | 11% | 6% ²¹ |

Notes:

¹⁷ The RC is satisfied that the quantum of performance-related bonuses earned by the key management personnel was fair and appropriate taking into account the extent to which their KPIs for FY 2016 were met.

¹⁸ Included one-time performance shares awarded under the KCL PSP - TIP.

¹⁹ Mr Chow Yew Yuen did not receive any performance-related bonus for FY 2016.

²⁰ Ms Tan Hua Mui, Christina served as CEO, Keppel Capital and Managing Director, Alpha Investment Partners concurrently in 2016. Total remuneration shown above for Ms Tan does not include vested share of carried interests for funds created in her role as Managing Director at Alpha Investment Partners. These carried interests are only earned at the end of the fund life and depend entirely on the actual performance of the funds after they have been liquidated.

²¹ On Keppel Telecommunications & Transportation Ltd ("KTT") share based compensation scheme and KCL PSP - TIP. As at 29 April 2016 (being the grant date), the estimated value of each share granted in respect of the contingent awards under the KTT PSP and KTT RSP were \$0.76 and \$1.30 respectively.

Corporate Governance

Remuneration of employees who are immediate family members of a Director or the Chief Executive Officer

No employee of the Company and its subsidiaries was an immediate family member of a director or the CEO and whose remuneration exceeded \$50,000 during the financial year ended 31 December 2016. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

Details of the KCL Share Plans

The KCL Share Plans, which have been approved by shareholders of the Company, are administered by the RC. Please refer to pages 105 to 107 and 135 to 137 of this Annual Report for details on the KCL Share Plans.

Accountability and Audit

Principle 10:

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects

Principle 12:

Establishment of Audit Committee with written terms of reference

The Board is responsible for providing a balanced and understandable assessment of the Company's and Group's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET, press releases, the Company's website, public webcast and media and analyst briefings.

The Company's Annual Report is accessible on the Company's website. The Company also sends its Annual Report to all its shareholders in CD-ROM format. In line with the Company's drive towards sustainable development, the Company encourages shareholders to read the Annual Report from the CD-ROM or on the Company's website. Shareholders may however request for a physical copy at no cost.

Management provides all members of the Board with management accounts, which present a balanced and understandable assessment of the

Company's and Group's performance, position and prospects on a monthly basis and as the Board may require from time to time. Such reports keep the board members informed of the Company's and Group's performance, position and prospects.

Audit Committee

The Audit Committee (AC) comprises the following non-executive directors, all of whom are independent:

- Mr Danny Teoh
Independent Chairman
- Mr Alvin Yeo
Independent Member
- Ms Veronica Eng
Independent Member
- Mr Tan Ek Kia
Independent Member

Mr Danny Teoh and Ms Veronica Eng have recent and relevant accounting and related financial management expertise and in-depth experience. Mr Alvin Yeo has in-depth knowledge of the responsibilities of the AC, and practical experience and knowledge of the issues and considerations affecting the Committee from serving on the audit committee of other listed companies. Mr Tan Ek Kia, who is a seasoned executive in the oil and gas and petrochemicals businesses and had held senior positions in Shell, has sufficient financial management knowledge and experience to discharge his responsibilities as a member of the Committee. Mr Danny Teoh, Mr Tan Ek Kia and Ms Veronica Eng are also members of the Board Risk Committee (BRC), with Ms Veronica Eng being the Chairman of the BRC.

None of the members of the AC were partners or directors of the Company's existing external auditors within the last 12 months and none of the members of the AC hold any financial interest in the auditing firm.

The AC's primary role is to assist the Board to ensure integrity of financial reporting and that there is in place sound internal control systems. The Committee's responsibilities are set out on page 78 herein.

The AC has explicit authority to investigate any matter within its responsibilities, full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources (including access to external consultants) to enable it to discharge its functions properly.

The Company has an internal audit team, which together with the external auditors, report their findings and recommendations to the AC independently.

The AC met with the external auditors five times, and with the internal auditors five times during the year, and at least one of these meetings was conducted without the presence of management.

During the year, the AC performed independent reviews of the financial statements of the Company before the announcement of the Company's quarterly and full-year results. In the process, the Committee reviewed the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their quarterly reviews with the AC. In addition, the AC members are invited to the Company's annual finance seminars where relevant changes to the accounting standards that will impact the Keppel Group of Companies are shared by, and discussed with accounting practitioners from one of the leading accounting firms.

The AC also reviewed and approved the Group internal auditor's plan to ensure that the risk-based plan sufficiently covered the effectiveness of controls to mitigate the significant risks of the Company. Such significant controls comprise financial, operational, compliance and IT controls. All significant audit findings and recommendations put up by the internal and the external auditors were forwarded to the AC, and discussed at AC meetings.

The AC reviewed and approved the Group external auditor's audit plan for the year. The AC also 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, and has confirmed that the non-audit services performed by the external auditors would not affect their independence. For details of fees payable to the auditors in respect of audit and non-audit services, please refer to Note 24 of the Notes to the Financial Statements on page 157.

The Company has complied with Rules 712, and Rule 715 read with 716 of the SGX Listing Manual in relation to its auditing firms.

The AC also reviewed the adequacy of the internal audit function and is satisfied that the team is adequately resourced and has appropriate standing within the Company. The internal audit team attends the Company's and the Group's key strategy sessions and executive meetings, and is staffed with professionals with sufficient expertise in corporate governance, risk management, internal controls, and other relevant disciplines. The AC also reviewed the training costs and programs attended by the internal audit team to ensure that their technical knowledge and skill sets remain current and relevant.

The AC has reviewed the "Keppel Whistle-Blower Protection Policy" (the "Policy") which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in business conduct, and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. To facilitate the management of incidences of alleged fraud or other misconduct, the AC is guided by a set of guidelines to ensure proper conduct of investigations and appropriate closure actions following completion of the investigations, including administrative, disciplinary, civil and/or criminal actions, and remediation of control weaknesses that perpetrated the fraud or misconduct so as to prevent a recurrence.

In addition, the AC reviews the Policy yearly to ensure that it remains current. The details of the Policy are set out on page 82 herein.

On a quarterly basis, management reported to the AC the interested person transactions ("IPTs") in accordance with the Company's Shareholders' Mandate for IPT. The IPTs were reviewed by the internal auditors. All findings were reported during AC meetings.

Risk Management and Internal Controls

Principle 11:

Sound system of risk management and internal controls

The Board Risk Committee (BRC) comprises the following non-executive directors, four out of five of whom

(including the Chairman) are independent and the remaining director being a non-executive director who is independent of management, namely:

- Ms Veronica Eng
Independent Chairman
- Mr Danny Teoh
Independent Member
- Mr Tow Heng Tan
Non-executive and
Non-independent Member
- Mr Tan Puay Chiang
Independent Member
- Mr Tan Ek Kia
Independent Member

Ms Veronica Eng was a Founding Partner of Permira until September 2015 and had extensive experience in a wide range of roles in relation to its funds' investments across sectors and geographies. She served on the board of Permira and its Executive Committee, chaired the Investment Committee and was the Fund Minder to various Permira funds. In addition, she had oversight of Permira's firm-wide risk management as well as its operations in Asia.

Mr Danny Teoh, who is the Chairman of the AC, is the second member of the BRC. Mr Danny Teoh was the Managing Partner of KPMG Singapore from October 2005 to October 2010. He was also the Head of Audit and Risk Advisory Services practices in Singapore as well as in Asia, and served on its global team.

The third member is Mr Tow Heng Tan, who has deep management experience from his extensive business career spanning the management consultancy, investment banking and stock-broking industries. Mr Tow was previously the Chief Investment Officer of Temasek.

The fourth member is Mr Tan Puay Chiang, who held various executive management roles in his 37-year career with Mobil and later ExxonMobil, and has in-depth knowledge and experience in the oil and gas industry and wide international exposure.

The fifth member is Mr Tan Ek Kia, who is a seasoned executive in the oil and gas and petrochemicals businesses and had held senior positions in Shell including Vice President (Ventures and Developments) of Shell Chemicals, Asia Pacific and Middle East region, Managing Director (Exploration and Production) of Shell Malaysia, Chairman of Shell North East Asia and Managing Director of Shell Nanhai Ltd.

The BRC reviews and guides management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, to safeguard shareholders' interests and the Group's assets. The Committee reports to the Board on critical risk issues, material matters, findings and recommendations. The detailed responsibilities of this Committee are disclosed on page 79 herein.

The Group's approach to risk management is set out in the "Risk Management" section on pages 92 to 94 of this Annual Report. The Group is guided by a set of Risk Tolerance Guiding Principles, as disclosed on page 92.

The Group also has in place a Risk Management Assessment Framework, which was established to facilitate the Board's assessment on the adequacy and effectiveness of the Group's risk management system. The framework lays out the governing policies, processes and systems pertaining to each of the key risk areas of the Group and assessments are made on the adequacy and effectiveness of the Group's risk management system in managing each of these key risk areas.

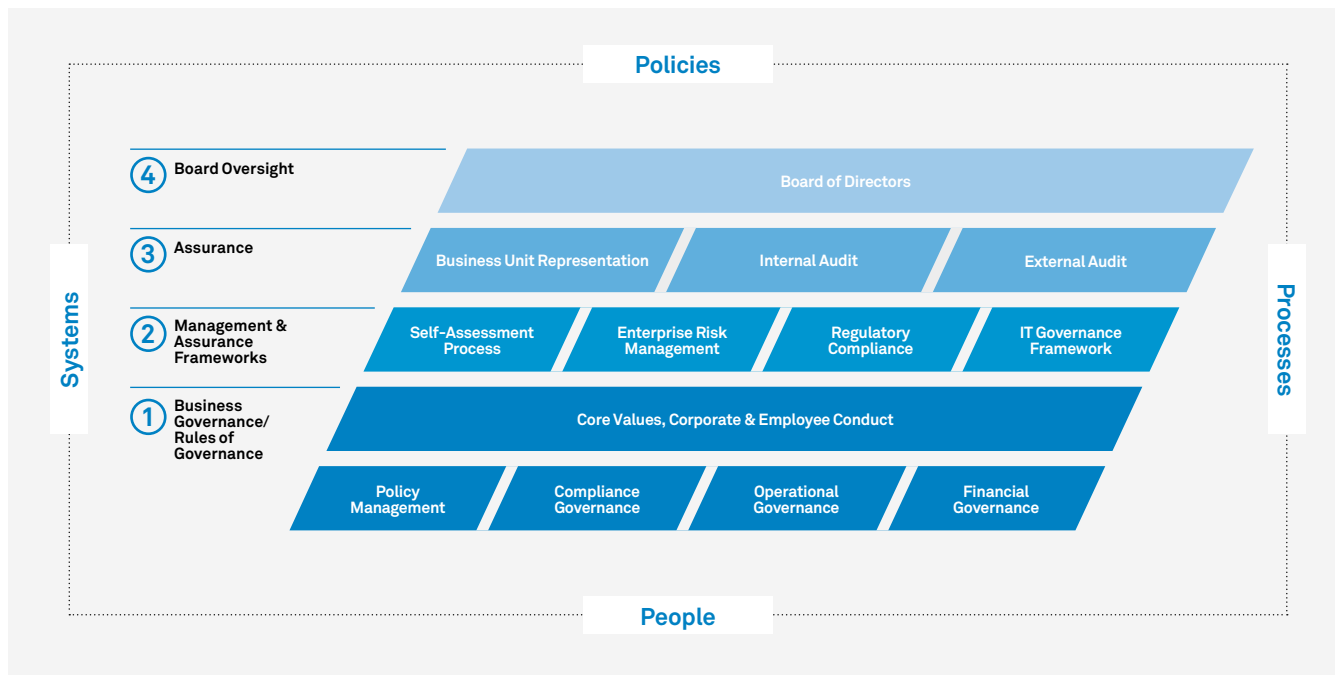
KCL's Group Internal Audit also conducts regular reviews of the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and IT controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by management on the recommendations made by Group Internal Audit and the external auditors.

The Group also has in place the Keppel's System of Management Controls Framework (the "Framework") outlining the Group's internal control and risk management processes and procedures. The Framework comprises three Lines of Defence towards ensuring the adequacy and effectiveness of the Group's system of internal controls and risk management.

Under the first Line of Defence, management is required to ensure good corporate governance through the implementation and management of policies and procedures relevant to the Group's business scope and environment. Such policies and procedures govern

Corporate Governance

Keppel's System of Management Controls



financial, operational, information technology and regulatory compliance matters and are reviewed and updated periodically. Compliance governance is governed by the respective regulatory compliance management committees and working teams chaired by business owners. Employees are also guided by the Group's Core Values and expected to comply strictly with the Employee Code of Conduct.

Under the second Line of Defence, significant business units are required to conduct a self-assessment exercise on an annual basis. This exercise requires such business units to assess the status of their respective internal controls and risk management via self-assessment. Where required, action plans are developed to remedy identified control gaps. Under the Group's Enterprise Risk Management Framework, significant risks areas of the Group are also identified and assessed, with systems, policies and processes put in place to manage and mitigate the identified risks. Regulatory Compliance supports and works alongside business management to ensure relevant policies, processes and controls are effectively designed, managed and implemented to ensure compliance risks and controls are effectively managed.

Under the third Line of Defence, to assist the Group to ascertain the adequacy

and effectiveness of the Group's internal controls, business units are required to provide the Group with written assurances as to the adequacy and effectiveness of their system of internal controls and risk management. Such assurances are also sought from the Group's internal and external auditors based on their independent assessments.

The Board, supported by the AC and BRC, oversees the Group's system of internal controls and risk management.

The Board has received assurance from CEO, Mr Loh Chin Hua and CFO, Mr Chan Hon Chew, that, amongst others:

- (a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group;
- (b) the internal controls of the Group are adequate and effective to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment and that they are not aware of any material weaknesses in the Group's overall system of internal controls; and

- (c) they are of the view that the Group's risk management system is adequate and effective.

Based on the review of the Group's governing framework, systems, policies and processes in addressing the key risks under the Group's Enterprise Risk Management Framework, the monitoring and review of the Group's overall performance and representation from the management, the Board, with the concurrence of the BRC, is of the view that, as at 31 December 2016, the Group's risk management system is adequate and effective.

Based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, and the regular audits, monitoring and reviews performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that, as at 31 December 2016, the Group's internal controls are adequate and effective to address the financial, operational, compliance and IT risks which the Group considers relevant and material to its current business scope and environment.

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 as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Internal Audit

Principle 13:

Effective and independent internal audit function that is adequately resourced

The Company's internal audit functions are serviced in-house ("Group Internal Audit"). The role of Group Internal Audit is to provide independent assurance to the AC to ensure that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

Staffed by suitably qualified executives, Group Internal Audit has unrestricted direct access to the AC and unfettered access to all the Group's documents, records, properties and personnel. The Head of Group Internal Audit's primary line of reporting is to the Chairman of the AC, with an administrative reporting line to the CEO of the Company.

The AC approves the hiring, removal, evaluation and compensation of the Head of Group Internal Audit.

As a member of the Institute of Internal Auditors ("IIA"), Group Internal Audit is guided by the International Standards for the Professional Practice of Internal Auditing set by the IIA. These standards consist of attribute and performance standards. External quality assessment reviews are carried out at least once every five years by qualified professionals, with the last assessment conducted in 2011, and the results re-affirmed that the internal audit activity conforms to the International Standards. In line with IIA's Quality Assurance standards, an external quality assessment is currently underway and will be completed by end-February 2017. Group Internal Audit staff performs a yearly declaration of independence and confirm their adherence to the Employee

Code of Conduct as well as the Code of Ethics established by the IIA, from which the principles of objectivity, competence, confidentiality and integrity are based.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on key risks, including financial, operational, compliance and information technology risks. An annual audit plan is developed using a structured risk and control assessment framework. Audits are planned based on the results of the assessment, with priority given to auditing the areas of highest risk within the Company. All Group Internal Audit's reports are submitted to the AC for deliberation with copies of these reports extended to the Chairman, CEO and relevant senior management officers. In addition, Group Internal Audit's summary of findings and recommendations are discussed at the AC meetings. To ensure timely and adequate closure of audit findings, the status of implementation of the actions agreed by management is tracked and discussed with the AC.

Shareholder Rights and Communication with Shareholders

Principle 14:

Fair and equitable treatment of shareholders and protection of shareholders' rights

Principle 15:

Regular, effective and fair communication with shareholders

Principle 16:

Greater shareholder participation at Annual General Meetings

In addition to the matters mentioned above in relation to "Accountability", the Company's Group Corporate Communications Department (with assistance from the Group Finance and Group Legal Departments, when required) regularly communicates with shareholders, and receives and attends to their queries and concerns.

The Company treats all its shareholders fairly and equitably, and keeps all its shareholders and other stakeholders informed of its corporate activities, including changes in the Company or its business which would be likely to materially affect the price or value of its shares, on a timely basis.

The Company has in place an Investor Relations Policy which sets out the

principles and practices that the Company applies in order to provide shareholders and prospective investors with information necessary to make well-informed investment decisions and to ensure a level playing field. The Investor Relations Policy is published on the Company's website at www.kepcorp.com.

The Company employs various platforms to effectively engage the shareholders and the investment community, with an emphasis on timely, accurate, fair and transparent disclosure of information. Engagement with shareholders and other stakeholders takes many forms, including "live" webcasts of quarterly results and presentations, e-mail communications, publications and content on the Company's website as well as through facility visits, where stakeholders may raise any queries or concerns that they may have. The Company's mobile-friendly website is also continually updated with the latest information concerning the Company, such as the latest updates on business and operations, quarterly financial statements, materials provided at analysts and media briefings, annual reports, and notices of general meetings. Contact details of the investor relations department are also set out on the website to facilitate any queries from investors.

In addition to shareholder meetings, senior management meet with investors, analysts and the media, as well as participate in industry conferences to solicit and understand the views of the investment community. In FY 2016, the Company hosted about 135 meetings and conference calls with institutional investors, including several facility visits to its shipyards in Singapore, as well as to its residential and commercial properties in China and Vietnam. Management also traveled widely for non-deal roadshows to meet investors across countries. Such meetings provide useful platforms for management to engage with investors and analysts.

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNET and the press. To ensure a level playing field and provide confidence to shareholders, unpublished price-sensitive information is not selectively disclosed, and on the rare occasion when such information is inadvertently disclosed, it is

Corporate Governance

immediately released to the public via SGXNET and the press.

The Company ensures that shareholders have the opportunity to participate effectively and vote at shareholders' meetings. In this regard, the shareholders' meetings are generally held in central locations which are easily accessible by public transportation. Shareholders are informed of shareholders' meetings through notices published in the newspapers and via SGXNET, and reports or circulars sent to all shareholders. Shareholders are invited, at such meetings, to put forth any questions they may have on the motions to be debated and decided upon, and vote on the resolutions at shareholders' meetings. Such resolutions include matters of significance to shareholders such as, where applicable, proposed amendments to the Company's constitution, the authorisation to issue additional shares, the transfer of significant assets, and the remuneration of non-executive directors. Shareholders are also informed of the rules, including voting procedures, governing such meetings.

If any shareholder is unable to attend, he is allowed to appoint up to two proxies to vote on his behalf at the meeting through proxy forms sent in advance. Specified intermediaries, such as banks and capital markets services licence holders which provide custodial services, may however appoint more than two proxies. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate in shareholders' meetings. Such indirect investors, where so appointed, will have the same rights as direct investors to vote at the shareholders' meetings.

Any payment of interim dividend or, upon receipt of shareholders' approval at annual general meetings, final dividend, will be paid to all shareholder in an equitable and timely manner.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. The rationale for the resolutions to be proposed at the meeting is set out in the notices to the meeting or its accompanying appendices. To ensure transparency, the Company conducts electronic poll voting for shareholders/proxies present at the meeting for all the resolutions proposed at the general meeting.

A scrutineer is also appointed to count and validate the votes cast at the meetings. Votes cast for and against and the respective percentages, on each resolution will be displayed "live" to shareholders/proxies immediately after each poll conducted. The total number of votes cast for or against the resolutions and the respective percentages are also announced in a timely manner after the general meeting via SGXNET. Each share is entitled to one vote.

Where possible, all directors will attend shareholders' meetings. The Chairmen of the Board and each board committee are required to be present to address questions at general meetings of shareholders. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company Secretaries prepare minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and management. These minutes are available to shareholders upon their requests.

Securities Transactions Insider Trading Policy

The Company has a formal Insider Trading Policy and Guidelines on Disclosure of Dealings in Securities on dealings in the securities of the Company and its listed subsidiaries, which sets out the implications of insider trading and guidance on such dealings, including the prohibition on dealings with the Company's securities on short-term considerations. The policy and guidelines have been distributed to the Group's directors and officers. In compliance with Rule 1207(19) of the Listing Manual on best practices on dealing in securities, the Company issues circulars to its directors and officers informing that the Company and its officers must not deal in listed securities of the Company one month before the release of the full-year results and two weeks before the release of quarterly results, and if they are in possession of unpublished price-sensitive information. Directors and CEO are also required to report their

dealings in the Company's securities within two business days.

Appendix

Board Committees – Responsibilities

A. Audit Committee

- 1.1 Review financial statements and formal announcements relating to financial performance, and review significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements.
- 1.2 Review and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties).
- 1.3 Review audit plans and reports of the external auditors and internal auditors, and consider the effectiveness of actions taken by management on the recommendations and observations.
- 1.4 Review the scope and result of the external audit and the independence and objectivity of the external auditors.
- 1.5 Review the nature and extent of non-audit services performed by the external auditors to ensure their independence and objectivity.
- 1.6 Meet with external auditors and internal auditors, without the presence of management, at least annually.
- 1.7 Make recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.
- 1.8 Review the adequacy and effectiveness of the Company's internal audit function, at least annually.
- 1.9 Ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, at least annually.

- 1.10 Approve the hiring, removal evaluation and compensation of the head of the internal audit function, or the accounting / auditing firm or corporation to which the internal audit function is outsourced.
- 1.11 Review the Company's procedures for detecting fraud, its whistle-blower policy and the arrangements by which employees of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, 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.
- 1.12 Review interested person transactions to ensure they are on normal commercial terms and are not prejudicial to the Company or its minority shareholders.
- 1.13 Investigate any matters within the Committee's purview, whenever it deems necessary.
- 1.14 Report to the Board on material matters, findings and recommendations.
- 1.15 Review the Committee's terms of reference annually and recommend any proposed changes to the Board for approval.
- 1.16 Ensure that the internal auditors and external auditors have direct and unrestricted access to the Chairman of the Audit Committee.
- 1.17 Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Audit Committee may deem fit.
- 1.18 Perform such other functions as the Board may determine.
- B. Board Risk Committee**
- 1.1 Obtain recommendations on risk tolerance and strategy from Management, and where appropriate, report and recommend to the Board for its determination the nature and extent of significant risks which the Group overall may take in achieving its strategic objectives and the overall Group's level of risk tolerance and risk policies.
- 1.2 Review and discuss, as and when appropriate, with Management the Group's risk governance structure and framework including risk policies, risk mitigation and monitoring processes and procedures.
- 1.3 Receive and review quarterly reports from Management on major risk exposures and the steps taken to monitor, control and mitigate such risks.
- 1.4 Review the Group's capability to identify and manage new risk types.
- 1.5 Review and monitor Management's responsiveness to the risks and matters identified and recommendations of the Group Risk and Compliance department.
- 1.6 Provide timely input to the Board on critical risk issues, material matters, findings and recommendations.
- 1.7 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.
- 1.8 Review and report to the Board annually on the adequacy and effectiveness of the Group's risk management and internal controls systems, including financial, operational, compliance and information technology controls.
- 1.9 Perform such other functions as the Board may determine.
- 1.10 Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.
- C. Nominating Committee**
- 1.1 Recommend to the Board the appointment/re-appointment of directors.
- 1.2 Annual review of balance and diversity of skills, experience, gender and knowledge required by the Board, and the size of the Board which would facilitate decision-making.



Attesting to our commitment to good corporate governance, the Keppel Group received a total of five accolades at the 17th Investors' Choice Awards organised by the Securities Investors Association (Singapore).

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- 1.3 Annual review of independence of each director, and to ensure that the Board comprises at least one-third independent directors. In this connection, the Nominating Committee should conduct particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment.
- 1.4 Decide, where a director has other listed company board representation and/or other principal commitments, whether the director is able to and has been adequately carrying out his/her duties as director of the Company.
- 1.5 Recommend to the Board the process for the evaluation of the performance of the Board, the board committees and individual directors, and propose objective performance criteria to assess the effectiveness of the Board as a whole and the contribution of each director.
- 1.6 Annual assessment of the effectiveness of the Board as a whole and individual directors.
- 1.7 Review the succession plans for the Board (in particular, the Chairman) and senior management (in particular, the CEO).
- 1.8 Review talent development plans.
- 1.9 Review the training and professional development programmes for Board members.
- 1.10 Review and, if deemed fit, approve recommendations for nomination of candidates as nominee director (whether as chairman or member) to the board of directors of investee companies which are:
- (i) listed on the Singapore Exchange or any other stock exchange;
 - (ii) managers or trustee-managers of any collective investment schemes, business trusts, or any other trusts which are listed on the Singapore Exchange or any other stock exchange; and
 - (iii) parent companies of the Company's core businesses which are unlisted.
- 1.11 Report to the Board on material matters and recommendations.
- 1.12 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.
- 1.13 Perform such other functions as the Board may determine.
- 1.14 Sub-delegate any of its powers within its terms of reference as listed above, from time to time as this Committee may deem fit.
- D. Remuneration Committee**
- 1.1 Review and recommend to the Board a framework of remuneration for Board members and key management personnel, and the specific remuneration packages for each director as well as for the key management personnel.
- 1.2 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 clauses are fair and reasonable and not overly generous.
- 1.3 Consider whether directors should be eligible for benefits under long-term incentive schemes (including weighing the use of share schemes against the other types of long-term incentive scheme).
- 1.4 Administer the Company's employee share option scheme (the "KCL Share Option Scheme"), and the Company's Restricted Share Plan and Performance Share Plan (collectively, the "KCL Share Plans"), in accordance with the rules of the KCL Share Option Scheme and KCL Share Plans.
- 1.5 Report to the Board on material matters and recommendations.
- 1.6 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.
- 1.7 Perform such other functions as the Board may determine.
- 1.8 Sub-delegate any of its powers within its terms of reference as listed above, from time to time as the Committee may deem fit.

Keppel's Board Safety Committee regularly conducts site visits to the Group's operations in Singapore and overseas, such as the Doha North Sewage Treatment Works in Qatar.



Save that a member of this Committee shall not be involved in the deliberations in respect of any remuneration, compensation, award of shares or any form of benefits to be granted to him.

E Board Safety Committee

- | | | |
|---|---|--|
| <p>1.1 Ensure there is a set of Group Health, Safety and Environment (“HSE”) policies and standards to guide HSE operation and performance across the Group.</p> <p>1.2 Monitor HSE performance of the Group companies, analyse trends and accident root causes, and recommend or propose Group-wide initiatives for improvement where appropriate to ensure a robust HSE management system is maintained.</p> <p>1.3 Structure an audit programme of Group companies’ HSE management programme to verify effectiveness and use its resources to lead the execution of such audits, drawing additional resources from the line where needed.</p> <p>1.4 Ensure a process is in place to have fatalities and other major incidents investigated by an independent and competent team.</p> <p>1.5 Review serious accident and near-miss incident investigation reports timely to understand underlying root causes and introduce Group-wide initiatives or remedial measures where appropriate.</p> | <p>1.6 Ensure that each business unit complies with HSE legislation in the country in which it operates as a minimum and review any emerging or new legislations that may potentially impact the business units.</p> <p>1.7 Keep abreast of developments in the HSE world, discuss such developments and best practices and consider the desirability of implementation in the Group.</p> <p>1.8 Introduce actions to enhance safety awareness and culture within the Group.</p> <p>1.9 Ensure that the safety functions in Group companies are adequately resourced (in terms of number, qualification and budget) and have appropriate standing within the organisation.</p> <p>1.10 Review the major changes to HSE risk profile of the business units that has changed or will change as a result of new business, new market, new product, etc. and the steps taken to monitor, control and mitigate such risks.</p> <p>1.11 Consider management’s proposals on safety-related matters.</p> <p>1.12 Carry out such investigations into safety-related matters as the Committee deems fit.</p> <p>1.13 Report to the Board on material matters, findings and recommendations.</p> | <p>1.14 Perform such other functions as the Board may determine.</p> <p>1.15 Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.</p> |
|---|---|--|

Nature of Current Directors’ Appointments and Membership on Board Committees

| Director | Board Membership | Committee Membership | | | | |
|---------------------|---------------------------------|----------------------|------------|--------------|----------|----------|
| | | Audit | Nominating | Remuneration | Risk | Safety |
| Lee Boon Yang | Chairman | – | Member | Member | – | Member |
| Loh Chin Hua | Chief Executive Officer | – | – | – | – | Member |
| Tow Heng Tan | Non-Independent & Non-Executive | – | Member | Member | Member | – |
| Alvin Yeo Khirn Hai | Independent | Member | Member | – | – | – |
| Tan Ek Kia | Independent | Member | – | – | Member | Chairman |
| Danny Teoh | Independent | Chairman | – | Member | Member | – |
| Tan Puay Chiang | Independent | – | Chairman | – | Member | Member |
| Till Vestring | Independent | – | Member | Chairman | – | – |
| Veronica Eng | Independent | Member | – | – | Chairman | – |

Corporate Governance

Board Assessment Evaluation Processes

Board

Each board member is required to complete a Board Evaluation Questionnaire and send the Questionnaire direct to the Independent Co-ordinator (IC) 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 Board Evaluation Questionnaire with the aim of achieving consistency in the understanding and interpretation of the questions. Based on the returns from each of the directors, the IC prepares a consolidated report and briefs the Chairman of the Nominating Committee (NC) and the Board Chairman on the report. Thereafter, the IC presents the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.

Individual Directors

The Board differentiates the assessment of an executive director from that of a Non-Executive Director (NED).

In the case of the assessment of the individual executive director, each NED is required to complete the executive director's assessment form and send the form directly to the IC within five working days. It is emphasised that the purpose of the assessment is to assess the executive director on his performance on the Board (as opposed to his executive performance). The executive director is not required to perform a self, nor a peer, assessment. Based on the returns from each of the NEDs, the IC prepares a consolidated report and briefs the NC Chairman and Board Chairman on the report. Thereafter, the IC presents the report to the Board for discussion. The NC Chairman will thereafter meet with the executive director to provide the necessary feedback on his board performance with a view to improving his board performance and shareholder value.

As for the assessment of the performance of the NEDs, each director (both NEDs and executive director) is required to complete the NED's assessment form and send the form directly to the IC within five working days. Each NED is also required to perform a self-assessment in addition to a peer assessment. Based on the returns, the IC prepares a consolidated report and briefs the NC Chairman and Board Chairman on the report. Thereafter, the IC presents the report to the Board for

discussion at a meeting of the NEDs. The NC Chairman will thereafter meet with the NEDs individually to provide the necessary feedback on their respective board performance with a view to improving their board performance and shareholder value.

Chairman

The Chairman Evaluation Form is completed by each director (both non-executive and executive) and sent directly to the IC within five working days. Based on the returns, the IC prepares a consolidated report and briefs the NC Chairman and Board Chairman on the report. Thereafter, the IC presents the report to the Board for discussion.

Performance Criteria

The performance criteria for the board evaluation are in respect of the board size, board and board committee composition, board independence, board processes, board information and accountability, board performance in relation to discharging its principal functions and ensuring the integrity and quality of financial reporting to stakeholders and board committee performance in relation to discharging their responsibilities set out in their respective terms of reference.

The individual director's performance criteria are categorised into four segments; namely, (1) interactive skills (under which factors as to whether the director works well with other directors, and participates actively are taken into account); (2) knowledge (under which factors as to the director's industry and business knowledge, functional expertise, whether he/she provides valuable inputs, his/her ability to analyse, communicate and contribute to the productivity of meetings, and his/her understanding of finance and accounts, are taken into consideration); (3) director's duties (under which factors as to the director's board committee work contribution, whether the director takes his/her role of director seriously and works to further improve his/her own performance, whether he/she listens and discusses objectively and exercises independent judgment, and meeting preparation are taken into consideration); and (4) availability (under which the director's attendance at board and board committee meetings, whether he/she is available when needed, and his/her informal contribution via e-mail, telephone, written notes etc are considered).

The assessment of the Chairman of the Board is based on, among others, his

ability to lead, whether he established proper procedures to ensure the effective functioning of the Board, whether he 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, whether he ensured that information provided to the Board was adequate (in terms of adequacy and timeliness) for the Board to make informed and considered decisions, whether he guided discussions effectively so that there was timely resolution of issues, whether he ensured that meetings were conducted in a manner that facilitated open communication and meaningful participation, and whether he 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.

Keppel Whistle-Blower Protection Policy

Keppel Whistle-Blower Protection Policy (the "Policy") took effect on 1 September 2004 to encourage reporting, in good faith, of suspected Reportable Conduct (as defined below) by establishing clearly-defined processes through which such reports may be made with confidence that employees and other persons making such reports will be treated fairly and, to the extent possible, protected from reprisal.

Reportable Conduct refers to any act or omission by an employee of the Group or contract worker appointed by a company within the Group, which occurred in the course of his or her work (whether or not the act is within the scope of his/her employment) which in the view of a Whistle-Blower acting in good faith, is:

- (a) dishonest, including but not limited to theft or misuse of resources within the Group;
- (b) fraudulent;
- (c) corrupt;
- (d) illegal;
- (e) other serious improper conduct;
- (f) an unsafe work practice; or
- (g) any other conduct which may cause financial or non-financial loss to the Group or damage to the Group's reputation.

A person who files a report or provides evidence which he/she knows to be false, or without a reasonable belief in the truth and accuracy of such information, will not be protected by the Policy and may be

subject to administrative and/or disciplinary action.

Similarly, a person may be subject to administrative and/or disciplinary action if he/she subjects (i) a person who has made or intends to make a report in accordance with the Policy, or (ii) a person who was called or may be called as a witness, to any form of reprisal which would not have occurred if he/she did not intend to, or had not made the report or be a witness.

The General Manager (Internal Audit) is the Receiving Officer for the purposes of the Policy and is responsible for the administration, implementation and overseeing ongoing compliance with the Policy. She reports directly to the AC Chairman on all matters arising under the Policy.

Reporting Mechanism

The Policy emphasises that the role of the Whistle-Blower is as a reporting party, and that Whistle-Blowers are not to investigate, or determine the appropriate corrective or remedial actions that may be warranted. Employees are encouraged to report suspected Reportable Conduct to their respective supervisors, who are responsible for promptly informing the Receiving Officer, who in turn is required to promptly report to the AC Chairman, of any such report. The supervisor must not start any investigation in any event. If any of the persons in the reporting line prefers not to disclose the matter to the supervisor and/or Receiving Officer (as the case may be), he may make the report directly to the Receiving Officer or the AC Chairman.

Other Whistle-Blowers may report a suspected Reportable Conduct to either the Receiving Officer or the AC Chairman.

All reports and related communications made will be documented by the person first receiving the report. The information disclosed should be as precise as possible so as to allow for proper assessment of the nature, extent and urgency of preliminary investigative procedures to be undertaken.

Investigation

The AC Chairman will review the information disclosed, interview the Whistle-Blower(s) when required and, either exercising his own discretion or in consultation with the other AC members, determine whether the circumstances warrant an investigation and if so, the

appropriate investigative process to be employed and corrective actions (if any) to be taken. The AC Chairman will use his best endeavours to ensure that there is no conflict of interests on the part of any person involved in the investigations.

All employees have a duty to cooperate with investigations initiated under the Policy. An employee may be placed on administrative leave or investigatory leave when it is determined by the AC Chairman that it would be in the best interests of the employee, the Company or both. Such leave is not to be interpreted as an accusation or a conclusion of guilt or innocence of any employee, including the employee on leave. All participants in the investigation must also refrain from discussing or disclosing the investigation or their testimony with anyone not connected to the investigation. In no circumstance should such persons discuss matters relating to the investigation with the person(s) who is/are subject(s) of the investigation ("Investigation Subject(s)").

Identities of the Whistle-Blower(s), participants of the investigations and the Investigation Subject(s) will be kept confidential to the extent possible.

No Reprisal

No person will be subject to any reprisal for having made a report in accordance with the Policy or having participated in the investigation.

Any reprisal suffered may be reported to the Receiving Officer (who shall refer the matter to the AC Chairman) or directly to the AC Chairman. The AC Chairman shall review the matter and determine the appropriate actions to be taken. Any protection does not extend to situations where the Whistle-Blower or witness has committed or abetted the Reportable Conduct that is the subject of allegation. However, the AC Chairman will take into account the fact that he/she has cooperated as a Whistle-Blower or a witness in determining the suitable disciplinary measure to be taken against him/her.

Corporate Governance

Code of Corporate Governance 2012

Guidelines for Disclosure

| Guideline | Questions | How has the Company complied? |
|-----------------------------|---|--|
| General | <p>(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.</p> <p>(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?</p> | <p>Yes.</p> <p>N.A.</p> |
| Board Responsibility | | |
| Guideline 1.5 | What are the types of material transactions which require approval from the Board? | <p>(a) New investments or increase in investments exceeding \$30 million by any Group company (not separately listed);</p> <p>(b) Acquisition and disposal of assets exceeding \$30 million by any Group company (not separately listed);</p> <p>(c) Capital equipment purchase and/or lease exceeding \$30 million by any Group company (not separately listed), and</p> <p>(d) All commitments to term loans and lines of credit from banks and financial institutions by the Company</p> |
| Members of the Board | | |
| Guideline 2.6 | <p>(a) What is the Board's policy with regard to diversity in identifying director nominees?</p> <p>(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</p> <p>(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</p> | <p>The Nominating Committee (NC) reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision making. Thereafter, in consultation with management, the NC assesses if there is any inadequate representation in respect of any of those attributes and if so, determines the role and the desirable competencies for a particular appointment.</p> <p>The NC is satisfied that the Board and the board committees comprise directors who, as a group, provide an appropriate balance and diversity of skills, experience, gender, knowledge of the Group, core competencies such as accounting or finance, business or management experience, human resource, risk management, technology, mergers and acquisitions, legal, international perspective, industry knowledge, strategic planning experience and customer-based experience or knowledge, required for the Board and the board committees to be effective.</p> <p>There is a process of refreshing the Board progressively. See Guideline 4.6 below on process for nomination of new directors and Board succession planning.</p> |
| Guideline 4.6 | <p>Please describe the board nomination process for the Company in the last financial year for</p> <p>(i) selecting and appointing new directors and</p> <p>(ii) re-electing incumbent directors.</p> | <p>For new directors</p> <p>There were no new directors appointed in the last financial year. However, on an annual basis:</p> <p>(a) the NC will review the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;</p> <p>(b) in light of such review and in consultation with management, the NC will assess if there was any inadequate representation in respect of any of those attributes, and determined the role and the desirable competencies for a particular appointment;</p> <p>(c) NC will then meet with the short-listed candidates to assess suitability and to ensure that the candidates are aware of the expectations and the level of commitment required; and</p> <p>(d) NC will thereafter make recommendations to the Board for approval.</p> |

Code of Corporate Governance 2012

Guidelines for Disclosure

| Guideline | Questions | How has the Company complied? |
|-------------------------|--|--|
| | | <p>For incumbent directors</p> <p>Pursuant to the Company's constitution, one-third of the directors retire from office at the Company's annual general meeting, and a newly-appointed director must submit himself/herself for re-election at the annual general meeting immediately following his/her appointment.</p> <p>NC recommended the re-nomination of directors to the Board for approval, having regard to the director's contribution and performance (such as attendance, preparedness, participation and candour), with reference to the results of the assessment of the performance of the individual director by his/her peers.</p> |
| Guideline 1.6 | <p>(a) Are new directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?</p> | <p>Yes, all new directors undergo a comprehensive orientation programme.</p> <p>All directors are provided with continuing education in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, changes in the Companies Act, continuing listing obligations and industry-related matters.</p> <p>A training programme is also in place for directors in areas such as accounting, finance, risk governance and management, the roles and responsibilities of a director of a listed company and industry-specific matters.</p> <p>Sites visits are also conducted periodically for directors to familiarise them with the operations of the various businesses so as to enhance their performance as board or board committee members.</p> |
| Guideline 4.4 | <p>(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?</p> <p>(b) If a maximum number has not been determined, what are the reasons?</p> <p>(c) What are the specific considerations in deciding on the capacity of directors?</p> | <p>N.A.</p> <p>Instead of fixing a maximum number of listed company board representation that a director may have, the NC assesses holistically whether a director is able to and has been adequately carrying out his/her duties as a director of the Company, taking into account considerations as set out below.</p> <p>The NC takes into account the results of the annual assessment of the effectiveness of the individual director, the level of commitment required of the director's other principal commitments, and the respective directors' actual conduct and participation on the Board and board committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings, in determining whether a director with other listed company 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.</p> |
| Board Evaluation | | |
| Guideline 5.1 | <p>(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?</p> <p>(b) Has the Board met its performance objectives?</p> | <p>An independent third party (the "Independent Co-ordinator") was appointed to assist in collating and analysing the returns of the board members for the annual assessment. Based on the returns from each of the directors, the Independent Co-ordinator prepared a consolidated report and briefed the Chairman of the NC and the Board Chairman on the report. Thereafter, the Independent Co-ordinator presented the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively.</p> <p>The detailed process is set out on page 82 of the Corporate Governance Report.</p> <p>Yes.</p> |

Corporate Governance

Code of Corporate Governance 2012

Guidelines for Disclosure

| Guideline | Questions | How has the Company complied? |
|----------------------------------|--|---|
| Independence of Directors | | |
| Guideline 2.1 | Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company. | Yes. |
| Guideline 2.3 | <p>(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p> | <p>Yes.</p> <p>Mr Alvin Yeo is Senior Partner of WongPartnership LLP, which is one of the law firms providing legal services to the Keppel Group.</p> <p>Mr Tan Ek Kia is a non-executive and independent director on the board of TransOcean Ltd, which has business dealings with the Keppel Offshore & Marine Group.</p> <p>Mr Till Vestring is a partner of Bain & Company's Southeast Asia office, which has performed consulting services for the Group.</p> <p>Mr Alvin Yeo had declared to the NC that he did not have a 10% or more stake in WongPartnership LLP and did not involve himself in the selection and appointment of legal counsels for the Group. The NC also took into account Mr Yeo's actual performance on the Board and board committees and the outcome of the recent self and peer Individual Director Performance assessment, and agreed that Mr Yeo has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.</p> <p>Mr Tan Ek Kia had declared to the NC that he was not involved in the negotiation of contracts or business dealings between the Keppel Offshore & Marine Group and TransOcean Ltd. The NC also took into account Mr Tan's actual performance on the Board and board committees and the outcome of the recent self and peer Individual Director Performance assessment and agreed that Mr Tan has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.</p> <p>Mr Till Vestring had declared to the NC that (a) he did not have a 10% or more stake in Bain & Company, (b) he was not involved in any services that Bain & Company provided to the Group; and (c) he would recuse himself from any decision making process undertaken by the Board or board committees in connection with awarding a consultancy contract and Bain & Company was involved. The NC also took into account Mr Vestring's actual performance on the Board and board committees and the outcome of the recent self and peer Individual Director Performance assessment and agreed that Mr Vestring has at all times exercised independent judgment in the best interests of the Company in the discharge of his director's duties and should therefore continue to be deemed an independent director.</p> |
| Guideline 2.4 | Has any independent director served on the Board for more than nine years from the date of his/her first appointment? If so, please identify the director and set out the Board's reasons for considering him/her independent. | No. |

Code of Corporate Governance 2012

Guidelines for Disclosure

| Guideline | Questions | How has the Company complied? |
|-----------------------------------|---|--|
| Disclosure on Remuneration | | |
| Guideline 9.2 | Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? | Yes. |
| Guideline 9.3 | <p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).</p> | <p>Yes.</p> <p>Aggregate remuneration paid to top six key management personnel: S\$14,595,840</p> |
| Guideline 9.4 | Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO. | No. |
| Guideline 9.6 | <p>(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.</p> <p>(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?</p> <p>(c) Were all of these performance conditions met? If not, what were the reasons?</p> | <p>The total remuneration mix comprises three key components; that is, annual fixed cash, annual performance incentive, and the KCL Share Plans. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances which the Company benchmarks with the relevant industry market median. The annual performance incentive is tied to the Company's, business unit's and individual employee's performance, inclusive of a portion which is tied to EVA performance. The KCL Share Plans are in the form of two share plans approved by shareholders, the KCL Restricted Share Plans ("KCL RSP") and the KCL Performance Share Plans ("KCL PSP"). The EVA performance incentive plan and the KCL Share Plans are long-term incentive plans.</p> <p>The compensation structure is directly linked to corporate and individual performance, both in terms of financial, non-financial performance and the creation of shareholder wealth. The key performance indicators ("KPIs") for awarding of annual cash incentives are based on the four scorecard areas that the Company has identified as key to measuring the performance of the Group – (i) Financial; (ii) Process; (iii) Stakeholders; and (iv) People. For the long-term incentive plans, performance conditions that are aligned with shareholder interests such as ROE, Total Shareholder Return and EVA are selected for equity awards.</p> <p>The RC is satisfied that the quantum of performance-related bonuses and the value of shares vested under the KCL PSP and RSP to the executive director and key management personnel was fair and appropriate taking into account the extent to which their KPIs and performance conditions for FY 2016 were met.</p> <p>Please refer to pages 70 to 74 of the Corporate Governance Report for more details.</p> |

Corporate Governance

Code of Corporate Governance 2012

Guidelines for Disclosure

| Guideline | Questions | How has the Company complied? |
|--|--|---|
| Risk Management and Internal Controls | | |
| Guideline 6.1 | <p>What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?</p> | <p>The Company has adopted initiatives to put in place processes to ensure that the non-executive directors are well supported by accurate, complete and timely information, and have unrestricted access to management.</p> <p>These initiatives include regular informal meetings for management to brief the directors on prospective deals and potential developments at an early stage before formal board approval is sought, and the circulation of relevant information on business initiatives, industry developments and analyst and press commentaries on matters in relation to the Company or the industries in which it operates.</p> <p>A two-day off-site board strategy meeting is organised annually for in-depth discussion on strategic issues and direction of the Group, to give the non-executive directors a better understanding of the Group and its businesses and to provide an opportunity for the non-executive directors 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.</p> <p>Aside from board papers, management is also expected to provide the Board with accurate information in a timely manner concerning the Company's progress or shortcomings in meeting its strategic business objectives or financial targets and other information relevant to the strategic issues facing the Company.</p> <p>Management also provides the Board members with management accounts on a monthly basis and as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, of the Group's performance, financial position and prospects.</p> <p>Management surfaces key risk issues for discussion and confers with the Board Risk Committee and the Board regularly. On an annual basis, the Board reviews the Group's key risks and assesses the adequacy and effectiveness of the risk management system.</p> |
| Guideline 13.1 | <p>Does the Company have an internal audit function? If not, please explain why.</p> | <p>Yes.</p> |
| Guideline 11.3 | <p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p> | <p>The Board oversees the Group's system of internal controls and risk management with the support from Audit Committee and Board Risk Committee.</p> <p>Board's view on the adequacy and effectiveness of the Company's internal controls is based on the Group's framework of management control, the internal control policies and procedures established and maintained by the Group, and the regular audits, monitoring and reviews performed by the internal and external auditors. The Audit Committee has concurred with this view.</p> <p>The Board's view on the adequacy and effectiveness of the Company's risk management system is based on the review of the Group's governing framework, systems, policies and processes in addressing the key risks under the Group's Enterprise Risk Management Framework, the monitoring and review of the Group's overall performance and representation from the management. The Board Risk Committee has concurred with this view.</p> |

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Guidelines for Disclosure

| Guideline | Questions | How has the Company complied? |
|--|--|--|
| | (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above? | Yes. The Board has received assurance from the CEO and the CFO on points (i) and (ii). The Board received assurance from the internal auditor on the adequacy and effectiveness of the Company's internal control systems. |
| Guideline 12.6 | (a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors. | <p>The Group's estimated audit fees payable to the external auditors of the Company and other auditors of subsidiaries for FY 2016 is S\$4,820,000. The Group's non-audit services fees paid to external auditors of the Company and other auditors of subsidiaries amounted to S\$299,000.</p> <p>The Audit Committee 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, and has confirmed that the non-audit services performed by the external auditors would not affect their independence.</p> |
| Communication with Shareholders | | |
| Guideline 15.4 | (a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report? | <p>Yes.</p> <p>In FY 2016, the Company hosted about 135 meetings and conference calls with institutional investors, including several facility visits to its shipyards in Singapore, as well as to its residential and commercial properties in China and Vietnam. Management also traveled widely for non-deal roadshows to meet investors across countries. Such meetings provide useful platforms for management to engage with investors and analysts.</p> <p>In addition to addressing the retail shareholders' questions over the phone and email, the Company also engaged retail shareholders' through its general meetings and long-term sponsorship of Securities Investors Association Singapore's Investor Education Programme.</p> <p>This role is performed by Group Corporate Communications Department (with assistance from the Group Finance and Group Legal Department, where required).</p> <p>Engagement with shareholders and other stakeholders take many forms including "live" webcasts of quarterly results briefings, email communications, publications and content on the Company's website as well as through facility visits. The Company's mobile-friendly website is also continually updated with the latest information concerning the Company, such as the latest updates on business and operations, quarterly financial statements, materials provided at analysts and media briefings, annual reports, and notices of general meetings. Contact details of the investor relations department are also set out on the website to facilitate any queries from investors.</p> <p>Senior management also meets with investors, analysts and the media, as well as participates in industry conferences to solicit and understand the views of the investment community.</p> |
| Guideline 15.5 | If the Company is not paying any dividends for the financial year, please explain why. | N.A. |

Corporate Governance

Code of Corporate Governance 2012

Specific Principles and Guidelines for Disclosure

| Relevant Guideline or Principle | Page Reference in this Report |
|---|-------------------------------|
| Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters | Page 64 |
| Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings | Page 66 |
| Guideline 1.5 The type of material transactions that require board approval under guidelines | Page 65 |
| Guideline 1.6 The induction, orientation and training provided to new and existing directors | Page 65 |
| Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed | Pages 66 and 67 |
| Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed | N.A. |
| Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members | N.A. |
| Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board | Pages 67, 79 and 80 |
| Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed | Page 85 |
| Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process | Page 68 |
| Guideline 4.7 Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent | Pages 20 to 23 |
| Guideline 5.1 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, the Board should disclose in the company's 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 | Page 82 |
| Guideline 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board | Pages 69 and 80 |
| Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company | Page 70 |
| Guideline 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration | Pages 70 to 73 |
| Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include 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) | Pages 70 to 73 |
| Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a 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 | Page 72 |

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Specific Principles and Guidelines for Disclosure

| Relevant Guideline or Principle | Page Reference in this Report |
|---|---------------------------------|
| Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S\$250,000. There will be a 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. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel | Page 73 |
| Guideline 9.4 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. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000 | Page 74 |
| Guideline 9.5 Details and important terms of employee share schemes | Pages 105 to 107 and 135 to 137 |
| Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. 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, and a statement of whether such performance conditions are met | Pages 70 to 73 |
| Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems | Pages 75 to 77 |
| Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board | Pages 74 and 78 |
| Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement | Pages 74 and 89 |
| Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report | Pages 82 and 83 |
| Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements | Pages 74 and 75 |
| Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings | Pages 77 and 78 |
| Guideline 15.5 Where dividends are not paid, companies should disclose their reasons | N.A. |