

# 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 2012 (the "2012 CG Code"). In describing corporate governance practices, the Company also took guidance from the Code of Corporate Governance 2018 (the "2018 CG Code")<sup>1</sup> and accompanying Practice Guidance.

### 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 Chief Executive Officer (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 board meetings, the Chairman encourages a full and frank exchange of views, drawing out contributions from all directors so that the debate benefits from the full diversity of views, in a robust yet collegiate setting. At annual general meetings and other shareholders' meetings, the Chairman ensures constructive dialogue between shareholders, the Board and management. The Chairman sets the right ethical and behavioural tone and takes a leading role in

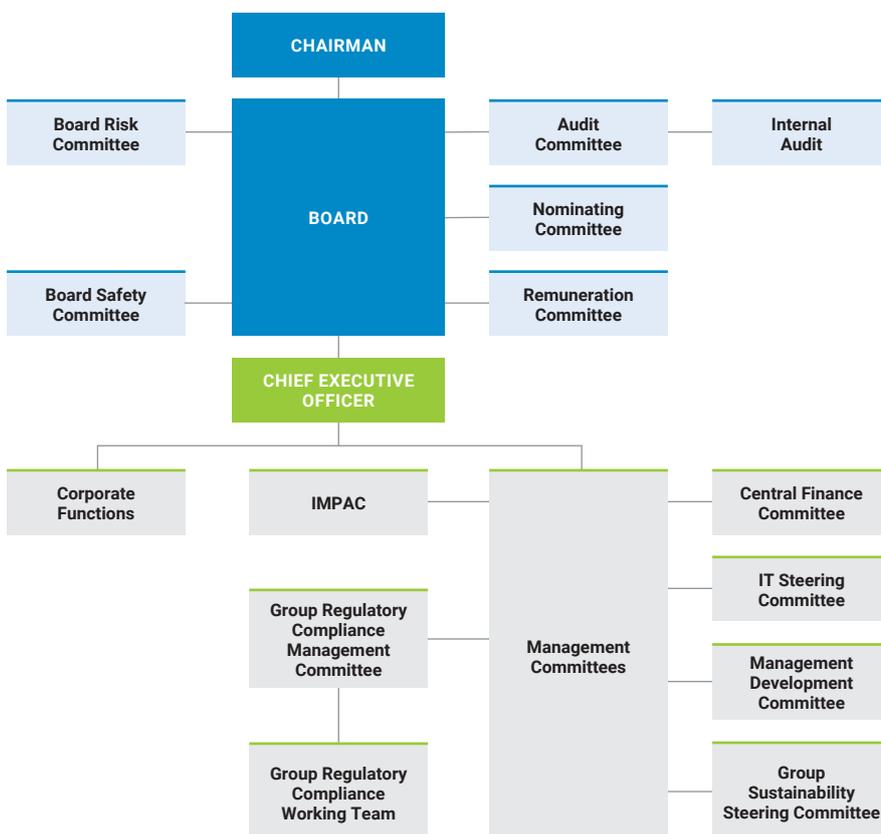
the Company's drive to achieve and maintain a high standard of corporate governance with the full support of the directors, Company Secretaries and management.

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, which were revised in January 2019 for alignment with the 2018 CG Code (see Appendix 1 for details).

The CEO, assisted by the management team, makes strategic proposals to the Board and after robust and constructive board discussion, 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 guides the Group to exercise the spirit of enterprise as well as prudence to earn optimal risk-adjusted returns on invested capital for its chosen lines of business, taking into consideration the risks, in a controlled manner;
- (2) *Management Development Committee (MDC)*, 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. The MDC also provides inputs, guidance and direction on operational policies and human resources/organisational matters;

### Governance Framework 2018



<sup>1</sup> The 2018 CG Code was issued on 6 August 2018 by the Monetary Authority of Singapore to replace the 2012 CG Code and will apply to annual reports covering financial years commencing from 1 January 2019 onwards.

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- (3) *Central Finance Committee*, which reviews, guides and monitors financial policies and activities of Group companies;
- (4) *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 Group;
- (5) *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 reviews training and communication programmes<sup>2</sup>;
- (6) *Keppel IT Steering Committee*, which provides strategic information technology (IT) leadership and ensures IT strategy alignment in achieving business strategies; and
- (7) *Group Sustainability Steering Committee*, which sets sustainability strategy and leads performance in key focus areas.

### Board Matters

**Role:** The principal functions of the Board are to:

- provide entrepreneurial leadership and decide on matters in relation to the Group 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 (including appropriate focus on value creation, innovation and sustainability), monitor the performance of management and ensure that the Company has necessary resources to meet its strategic objectives;
- set the Company's values, standards (including ethical standards), appropriate tone-from-the-top and desired

organisational culture, and put in place policies, structures and mechanism to ensure such values, standards and culture are complied with;

- hold management accountable for performance and ensure proper accountability within the Group;
- oversee processes for evaluating the adequacy and effectiveness of internal controls, risk management, financial reporting and compliance, and satisfy itself as to the adequacy and effectiveness of such processes;
- be responsible for the governance of risk and ensure that management maintains a sound system of risk management and internal controls; to safeguard the interests of the Company and its stakeholders; and
- assume responsibility for corporate governance and ensure transparency and accountability to key stakeholder groups.

**Board Strategic Review:** The Board periodically reviews and approves the Group's strategic plans. In FY 2014, the Board approved the Group's Vision 2020<sup>2</sup> which sets out the vision, operating principles and values of the Group, and the roadmap<sup>3</sup> to take the Group's businesses into 2020 and beyond 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 provide the Board an opportunity to perform an in-depth review into each of the Group's core businesses.

**Independent Judgement:** All directors are expected to exercise independent judgement 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 2018, all directors have discharged this duty consistently well.

**Conflicts of Interest:** Every director is required to promptly disclose any conflict of interest, whether direct or indirect, in relation to 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. Directors facing conflicts of interest recuse themselves when the conflict-related matter is discussed, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion, and abstain from voting in relation to conflict-related matters. In January 2019, the Board had, on the recommendation of the Nominating Committee ("NC"), approved and adopted the "Keppel Group – Directors' Conflict of Interest Policy" to help inform Keppel directors about the general principles relating to conflicts of interest, as well as to guide directors in identifying, disclosing and managing conflict situations. The policy further serves to emphasise the Keppel Group's commitment to ethics and compliance with the law, for the protection of the Company's interest and the promotion of transparency for the benefit of shareholders.

**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 from time to time and on a need basis, and any relevant feedback would be shared and discussed with the executive director. The number of board and board committee meetings held

<sup>2</sup> With effect from FY 2014, and following a review and update in 2017, 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 our operating principles and core values, the Company's mission is to deliver solutions for sustainable urbanisation profitably, safely and responsibly.

<sup>3</sup> 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.

in FY 2018, as well as the attendance of each Board member at these meetings, are disclosed in the table below.

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/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, all transactions exceeding \$150 million by any Group company (not separately listed) require the approval of the Board. For transactions between \$30 million and \$150 million, IMPAC will determine if Board approval is required, depending on the individual considerations for each case. 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 roles, duties, obligations and responsibilities 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 responsibilities of a director of a listed company and industry specific matters. In FY 2018, some KCL directors attended talks on topics relating to corporate governance and ethics (including case studies), cybersecurity governance, health safety and environment (HSE) performance, 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. Please refer to page 75 of this report for details on the process.

**Board Independence:** The NC determines on an annual basis whether or not a director is independent. In January 2019, the NC carried out the review on the independence of each non-executive director based on the respective directors' self-declaration in the Directors' Independence Checklist and their actual performance on the Board and board committees, taking into account the recent amendments to listing rules on the circumstances in which a director will not be deemed independent and guidance in the 2018 CG Code as to the circumstances in which a director should not be deemed independent.

In this connection, the NC (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 NC that although he is a partner with a 5% or more stake in WongPartnership LLP, he did not involve himself in the selection and appointment of legal advisers for the Group, and that he supported the selection of legal advisers based on assessment of quality, and for their remuneration to be based on market rate. In addition, the NC noted that Keppel Infrastructure (KI) management had, of their own accord, appointed Mr Yeo as lead counsel to represent KI in its arbitration proceedings with the State of Qatar in relation to the Doha South Waste Management Centre project, based on merit and taking

## Board and Committee Meetings and Attendance

	Board Meetings	Board Committee Meetings				
		Audit	Nomination	Remuneration	Safety	Risk
Lee Boon Yang	11	–	3	4	4	–
Loh Chin Hua	11	–	–	–	4	–
Tow Heng Tan	8	–	3	2	–	4
Alvin Yeo Khirn Hai	9	5	1	–	–	–
Tan Ek Kia	9	5	–	–	4	4
Danny Teoh	10	5	–	4	–	4
Tan Puay Chiang <sup>1</sup>	10	–	3	–	4	4
Till Vestring	11	–	3	4	–	–
Veronica Eng	11	5	–	–	–	4
Jean-François Manzoni <sup>2</sup>	3 out of 3	–	–	–	–	–
<b>No. of Meetings Held</b>	<b>11</b>	<b>5</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>4</b>

Notes:

<sup>1</sup> Mr Tan Puay Chiang ceased to be a member of the Board Risk Committee with effect from 2 January 2019.

<sup>2</sup> Prof Jean-François Manzoni was appointed to the Board as a non-executive and independent director with effect from 1 October 2018, and was appointed as a member of the Board Risk Committee on 2 January 2019.

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into consideration the complexity of the matter. Taking these factors into consideration together with Mr Yeo's comments, along with his active participation and actual performance on the Board and board committees in the discharge of his duties, his valuable contributions to the Board and board committees, and the outcome of the recent self and peer Individual Director Performance assessment, the NC unanimously agreed that Mr Yeo has at all times exercised independent judgement 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 NC 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, and he is also the independent non-executive chairman of KrisEnergy Ltd which has an interest person transaction ("IPT") framework agreement with the Company and its subsidiaries. Mr Tan had declared to the NC that (i) he was not involved in the negotiation of contracts or business dealings between TransOcean with the Keppel Offshore & Marine Group, and (ii) the IPT framework agreement with KrisEnergy is renewed annually by a vote of the independent shareholders of KrisEnergy and he abstains from making any recommendations to the board and shareholders of KrisEnergy and from voting in respect of such agreement. The NC also took into account Mr Tan's active participation and actual performance on the Board and board committees, his valuable contributions to the Board and board committees and the outcome of the recent self and peer Individual Director Performance assessment, and unanimously agreed that Mr Tan has at all times exercised independent judgement 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 5% shareholder is deemed as non independent under the 2018 CG Code. Mr Tow Heng Tan is the CEO of Pavilion Capital International Pte Ltd, a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). As Mr Tow is currently employed by a wholly-owned subsidiary of Temasek, the NC (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 NC further noted that Dr Lee Boon Yang and Mr Alvin Yeo have both served beyond nine years since their respective first appointments. The 2012 CG Code states that the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment should be subject to particularly rigorous review. In relation to Dr Lee, taking into consideration, among other things, his active participation and actual performance on the Board and board committees in the discharge of his duties, his valuable contributions to the board and board committees and leadership as Chairman, and the outcome of the recent self and peer Individual Director Performance assessment, the NC agreed unanimously that Dr Lee has at all times exercised independent judgement 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. In relation to Mr Alvin Yeo, please see above the NC's reasons for considering him independent.

Following the review, the NC 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, Ms Veronica Eng and Prof Jean-François Manzoni should be deemed independent. The Board has reviewed the basis of the NC's recommendations, and concurred with the assessment of independence in respect of the above-mentioned directors.

In view of the above, the Board currently comprises majority independent directors, with a total of 10 directors of whom eight are independent.

**Lead Independent Director:** The NC has deliberated and decided that it was not necessary to appoint a Lead Independent Director given the majority independence of the Board and that the Chairman was independent. Further, matters affecting the Chairman such as succession and remuneration were deliberated by the board committees where the majority of the members (including the Chairman) were independent directors, and where the Chairman was conflicted, he would recuse himself and abstain from voting.

**Board Size:** The Board, in concurrence with the NC, 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. 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 90 herein.

**Board Diversity:** The NC is satisfied that the Board and the board committees comprise directors who, as a group, provide an appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age. The NC is also satisfied that the directors, as a group, possess core competencies including 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 NC 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, while due consideration would be given to the benefits of diversity, new directors will continue to be selected on merits based on objective criteria set as part of the "Process for appointment of new directors and Board succession planning" (detailed on the next page). In FY 2018, there was one female director out of a total of 10 directors.

Taking into account the independence and diversity of the Board, the NC is of the view that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

**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. The Board also reviews the budget on an annual basis, and any material variance between the projections and actual results would be disclosed and explained. 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. Directors are also entitled to request from management, and would be provided with, such additional information as may be needed from time to time in order to make informed decisions.

#### **Non-executive Directors' Meetings:**

The non-executive directors meet on a need-be basis at the end of each scheduled quarterly meeting 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.

#### **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 the 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 89 and 90 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. The NC leads the process and makes recommendations to the Board as follows:

- (a) NC reviews annually the balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, and the size of the Board which would facilitate decision-making. In this review, the NC will also take into account the needs of the Group, the collective skills and competencies of the Board and service tenure spread of the directors. In the year under review (FY 2018), for purposes of Board succession planning, the NC also took into consideration the 2018 CG Code and the amendments to the SGX Listing Rules relating to the continued appointment as "independent directors" of a director who has served for an aggregate period of more than nine years, bearing in mind that these rules would come into effect from 1 January 2022.
- (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 and search consultants) 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

Pursuant to the above appointment process and criteria, the Board will be recommending at the upcoming annual general meeting the re-election of a new director, Prof Jean-François Manzoni, who was appointed as an independent director on 1 October 2018.

Prof Manzoni is currently the President (Dean) and Nestlé Professor at the International Institute for Management Development (IMD) in Switzerland, where he is based. Prior to re-joining IMD in 2016, he had served at INSEAD's Singapore campus where he co-directed the International Directors Program. He was also on the faculty of INSEAD (Fontainebleau), where he founded and directed the PwC Research Initiative on High Performance Organisations. Prof Manzoni is the recipient of several awards for excellence in research and teaching, and has been involved in consulting, top management team support and leadership development with several international organisations, spanning more than 30 countries over the years. Prof Manzoni is a member of the International Advisory Panels of Digital Switzerland, Singapore's Public Service Division and the Russian

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Presidential Academy of National Economy and Public Singapore Institute of Directors, and served on the Board of Singapore's Civil Service College from 2015 to 2017. Prof Manzoni also sits on the board of AACSB International, the world's largest business education alliance. Please refer to Appendix 2 on pages 93 and 94 herein for further details.

### 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. Please refer to Appendix 2 on pages 93 and 94 herein for further details.

### 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 pages 73 and 74 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 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. Instead of fixing a maximum number of listed company board representation and/or other principal commitments 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 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 director's actual

conduct and participation on the Board and board committees, including availability and attendance at regular scheduled meetings and ad-hoc meetings. The NC is of the view that such an assessment is sufficiently robust to detect and address, on a timely basis, any time commitment issues that may hinder the effectiveness of the directors.

In respect of FY 2018, 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 2018, all the directors performed well. The NC was therefore satisfied that in FY 2018, 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 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 22 to 25: 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 111 and 112: Shareholding in the Company and its subsidiaries.

## Board Performance

### Principle 5:

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

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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. Mr Michael Lim, former Chairman, PricewaterhouseCoopers and Land Transport Authority, and currently Chairman of Nomura Singapore Limited, was appointed for this role. Mr Michael Lim does not have business relationships or any other connections with the Company or its directors which may affect his independent judgement.

**Formal Process and Performance Criteria:** The evaluation processes and performance criteria are disclosed in the Appendix 1 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 facilitate their access to and review of board materials. 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 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, share-based incentives and awards, benefits in kind and termination payments) and the specific remuneration packages for each director and the key 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 in 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 2018, 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.

## Corporate Governance

### Annual Remuneration Report Policy in respect of Non-Executive Directors' Remuneration

Each non-executive director's remuneration comprises a basic fee and an additional fee for services performed on board committees. 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 during the year and are not paid for attending such meetings. Executive directors are not paid directors' fees.

The directors' fee structure, which remained unchanged from FY 2017, is set out in the table below.

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.

The RC is of the view that the remuneration of non-executive directors is appropriate to their level of contribution, taking into account factors such as effort, time spent and responsibilities.

### 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, and is aligned with shareholders' interests.

In designing the remuneration 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 remuneration, and between cash versus equity incentive remuneration.

The total remuneration structure reflects the following four key objectives:

- (a) Shareholder Alignment: To incorporate performance measures that are aligned to shareholders' interests

- (b) Long-term Orientation: To motivate employees to drive sustainable long-term growth
- (c) Simplicity: To ensure that the remuneration structure is easy to understand and communicate to stakeholders
- (d) Synergy: To facilitate talent mobility and enhance collaboration across businesses

The total remuneration structure comprises three components; that is, annual fixed cash, annual performance bonus, 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 size of the Company's annual performance bonus pot is determined by the Group's financial and non-financial performance, and is distributed to employees based on their individual performance. The KCL Share Plans are in the form of two share plans approved by shareholders, the KCL RSP and the KCL PSP. A portion of the annual performance bonus is granted in the form of deferred shares that are awarded under the KCL RSP. The KCL PSP comprises performance targets determined on an annual basis. The KCL RSP and KCL PSP are long-term incentive plans which vest over a longer term horizon. Executives who have a greater ability to influence Group outcomes have a greater proportion of their overall remuneration at risk.

The RC exercises broad discretion and independent judgement in ensuring that the amount and mix of remuneration

### Directors' Fee Structure

	<b>Basic Fee (per annum)</b>	
Board Chairman	\$750,000 (all-in)	
Board Member	\$108,000	
	<b>Additional Fees for Membership in Board Committees (per annum)</b>	
	<b>Chairman</b>	<b>Member</b>
Audit Committee	\$67,000	\$36,000
Board Risk Committee	\$67,000	\$36,000
Remuneration Committee	\$47,000	\$31,000
Board Safety Committee	\$47,000	\$31,000
Nominating Committee	\$40,000	\$24,000

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

- (a) by placing a significant portion of executives' remuneration at risk ("At Risk component") and subject to a vesting schedule;
- (b) by incorporating appropriate key performance indicators ("KPIs") for awarding of annual performance bonus:
  - (i) There are four scorecard areas that the Company has identified as key to measuring the performance of the Group – (i) Financial and Business Drivers; (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, compliance and controls measures, corporate social responsibilities activities, employee engagement, talent development and succession planning;
  - (ii) 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. The Remuneration Committee reviews and approves the scorecard annually;
- (c) by selecting performance conditions for the KCL PSP awards, such as Total Shareholder Return, Return on Capital Employed and Net Profit 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 remuneration 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 remuneration structure through several initiatives, including but not limited to:

- (a) prudent funding of annual performance bonus;
- (b) granting a portion of the annual performance bonus in the form of deferred shares, to be awarded under the KCL RSP;
- (c) vesting of contingent share awards under the KCL PSP being subject to KPIs and/or performance conditions being met;
- (d) potential forfeiture of variable incentives in any year due to misconduct; and
- (e) requiring the executive director and key management personnel to hold a minimum number of shares under the share ownership guideline.

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 2018.

In order to align the interests of the 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. They are also required to hold a minimum number of shares under the share ownership guideline which requires them to maintain a beneficial ownership stake in the Company, thus further aligning their interests with shareholders.

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.

## Corporate Governance

### Long-term Incentive Plans

#### KCL Share Plans

The KCL Share Plans are put in place to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for 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. The range of performance targets to be set under the KCL PSP emphasise stretched or strategic targets aimed at sustaining longer-term growth.

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, in misconduct resulting in restatement of financial statements, or in misconduct resulting in financial loss to the Company.

Outstanding performance bonuses, 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 in pages 113 to 115 and 149 to 151.

### 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 2018

The level and mix of each of the directors' remuneration are set out below.

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

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 2018. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister and parent.

Remuneration & Name of Director	Base/Fixed Salary (\$)	Performance-Related Cash Bonuses Earned <sup>1</sup> (\$)	Directors' Total Fees <sup>2</sup> (\$)		Benefits-in-Kind (\$)	Contingent awards of shares <sup>3</sup> (\$)		Total Remuneration (\$)
			Cash component <sup>4</sup>	Shares component <sup>4</sup>		PSP	RSP	
Loh Chin Hua	1,229,360	1,855,450	–	–	n.m. <sup>5</sup>	2,108,800	1,532,434	6,726,044 <sup>6</sup>
Lee Boon Yang	–	–	525,000	225,000	–	–	–	750,000
Tow Heng Tan	–	–	139,300	59,700	–	–	–	199,000
Alvin Yeo Khirn Hai	–	–	117,600	50,400	–	–	–	168,000
Tan Ek Kia	–	–	158,900	68,100	–	–	–	227,000
Danny Teoh	–	–	169,400	72,600	–	–	–	242,000
Tan Puay Chiang	–	–	150,500	64,500	–	–	–	215,000
Till Vestring	–	–	125,300	53,700	–	–	–	179,000
Veronica Eng	–	–	147,700	63,300	–	–	–	211,000
Jean-François Manzoni	–	–	19,055	8,167	–	–	–	27,222

#### Notes:

- <sup>1</sup> The RC is satisfied that the quantum of performance-related cash bonuses earned by the executive director was fair and appropriate taking into account the extent to which his KPIs for FY 2018 were met.
- <sup>2</sup> Based on the non-executive directors' fee structure set out in Table 2, the total fees amount to \$2,218,222. The directors' total fees are subject to shareholders' approval at the Company's Annual General Meeting.
- <sup>3</sup> Shares awarded under the KCL PSP are subject to pre-determined performance targets over a three-year performance period. As at 30 April 2018, being the grant date for the contingent awards under the KCL PSP, the estimated value of each share was \$6.59. As at 15 February 2019, being the grant date for the contingent deferred shares award under the KCL RSP, the estimated value of each share was \$5.84. 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.
- <sup>4</sup> The amounts stated may be adjusted as indicated on pages 78 and 79 of this report.
- <sup>5</sup> n.m. – not material
- <sup>6</sup> 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.

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 (\$) <sup>7</sup>	RSP Awards	Vesting Date	Contingent Awards of RSP Shares	Number of RSP Shares Vested	Value of RSP Shares Vested (\$) <sup>7</sup>	
Loh Chin Hua	2015 Awards	28 Feb 2018	0 to 330,000	0	0	2015 Awards	26 Feb 2016	150,000	50,000	265,500	
							9 Mar 2017		50,000	337,500	
							28 Feb 2018		50,000	393,500	
	2016 Awards	28 Feb 2019	0 to 450,000 <sup>8</sup>	-	-	2016 Awards	9 Mar 2017	180,000	60,000	405,000	
							28 Feb 2018		60,000	472,200	
							28 Feb 2019		-	-	
							28 Feb 2022		0 to 1,125,000 <sup>9</sup>	-	-
	2017 Awards	28 Feb 2020	0 to 495,000	-	-	2018 Awards	28 Feb 2018	272,352	90,784	714,470	
							28 Feb 2019		-	-	
							28 Feb 2020		-	-	
2018 Awards	26 Feb 2021	0 to 480,000	-	-	2019 Awards	28 Feb 2019	262,403	-	-		
						28 Feb 2020		-	-		
						26 Feb 2021		-	-		

Notes:

<sup>7</sup> 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 2018 were met.

<sup>8</sup> Refers to contingent shares awarded under the KCL PSP.

<sup>9</sup> 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 2018 was \$12,137,512. 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 Cash Bonuses Earned <sup>10</sup>	Benefits-in-Kind	Contingent awards of shares	
				PSP	RSP
<b>Above \$3,000,000 to \$3,250,000</b>					
Chan Hon Chew	22%	27%	n.m.	29%	22%
Ong Tiong Guan	19%	29%	n.m.	29%	23%
<b>Above \$2,500,000 to \$2,750,000</b>					
Tan Hua Mui, Christina <sup>11</sup>	24%	24%	n.m.	32%	20%
<b>Above \$1,750,000 to \$2,000,000</b>					
Ong Leng Yeow, Chris	26%	20%	n.m.	38%	16%
<b>Above \$1,250,000 to \$1,500,000</b>					
Pang Thieng Hwi, Thomas <sup>12</sup>	29%	31%	n.m.	9%	31%

Notes:

<sup>10</sup> 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 2018 were met.

<sup>11</sup> Total remuneration shown above for Ms Tan Hua Mui, Christina does not include vested share of carried interests for funds created during the time she was 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.

<sup>12</sup> On Keppel Telecommunications & Transportation Ltd ("KTT") share based remuneration scheme for the PSP award. As at 30 April 2018, being the grant date, the estimated value of each share granted in respect of the contingent awards under the KTT PSP was \$1.15. Mr Thomas Pang is an eligible participant of the KTT share based remuneration plan and the KCL RSP. Due to the on-going scheme of arrangement in respect of KTT, the decision on the grant of contingent share awards under any of such plans to Mr Pang has been deferred until the conclusion of the scheme.

## Corporate Governance

### 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 113 to 115 and 149 to 151 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, and can be viewed or downloaded from the Annual Report microsite at [www.kepcorp.com/annualreport2018/](http://www.kepcorp.com/annualreport2018/). In line with the Company's drive towards sustainable development, the Company encourages shareholders to read the Annual Report 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.

The Board, supported by the Audit Committee (AC) and Board Risk Committee (BRC), oversees the Company's Keppel's System of Management Controls Framework (the "Framework"), which outlines the Company's internal control and risk management processes and procedures to, among others, ensure compliance with legislative and regulatory requirements. Details of the Framework are set out on pages 83 and 84 of this Annual Report.

### 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 two years 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 pages 88 and 89 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.

KCL's Group Internal Audit also conducts regular reviews of the adequacy and effectiveness of the Group's material internal 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 AC met with the external auditors five times, and with the internal auditors five times during the year, and, in each case, at least one of these meetings was conducted without the presence of management.

The AC 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 financial, operational, compliance and IT risks of the Company. All significant audit findings and recommendations put up by the internal and the external auditors were reported to the AC, and discussed at AC meetings.

The AC reviewed and approved the Group external auditor's audit plan for the year and assessed the quality of the work carried out by the external auditors in accordance with the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority (ACRA), and is satisfied with the performance. Taking into account the requirements under the Accountants Act (Chapter 2) of Singapore, the AC undertook a review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit fees awarded to them, 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 25 of the Notes to the Financial Statements on page 174.

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 and effectiveness of the internal audit function and is satisfied that the team is independent and adequately resourced, staffed with persons with the relevant qualifications and experience, 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 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 92 hereto.

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.

### Financial Matters

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 meetings 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.

During the year, the AC performed independent review 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 judgement applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financials.

In its review of the financial statements of the Group and the Company for FY 2018, the AC reviewed the key areas of management's estimates and judgement applied for key financial issues, including valuation and assessment of impairment of assets, recoverability of contract assets and stocks, financial exposure in relation to contracts with Sete Brasil, global resolution with criminal authorities in relation to corrupt payments and revenue recognition, that might affect the integrity of the financial statements. The AC also considered the report from the external auditors, including their findings on the key audit matters as set out in the independent auditor's report for the financial year ended 31 December 2018.

In addition to the findings of the external auditors, the AC took into consideration the methodology applied in determining the

valuation and value-in-use of different asset classes, including the reasonableness of the estimates and key assumptions used. The AC also reviewed management's assessment of recoverability of contract assets and stocks, as well as financial exposure in relation to contracts with Sete Brasil, including expectation of probable outcomes, assessment on whether there was a potential for any additional provision in relation to the corrupt payments or to the matters described in sub-paragraph (2) on page 86 of this Annual Report, as well as estimates of the total costs and physical proportion of work completed in determining the stage of completion. Furthermore, external independent valuations as well as opinions from internal and external legal counsel, where applicable, were considered when reviewing management's assessment.

The AC concurs with the methodology, accounting treatment and estimates adopted, as well as the disclosures made in the financial statements for each of the key audit matters set out by the external auditors in their report.

### 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 Ek Kia  
Independent Member
- Prof Jean-François Manzoni  
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 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 fifth member is Prof Jean-François Manzoni, who is currently the President (Dean) and Nestlé Professor at the International Institute for Management Development (IMD) in Switzerland, where he is based. Prior to re-joining IMD in 2016, he had served at INSEAD's Singapore campus where he co-directed the International Directors Program. He was also on the faculty of INSEAD (Fontainebleau), where he founded and directed the PwC Research Initiative on High Performance Organisations.

The BRC considers the nature and extent of the significant risks which the Company may take in achieving its strategic objectives and value creation; and 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 89 herein.

The Group's approach to risk management is set out in the "Risk Management" section on pages 104 to 106 of this Annual Report. The Group is guided by a set of Risk Tolerance Guiding Principles, as disclosed on page 104.

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.

## Corporate Governance

KCL's Group Internal Audit also conducts regular reviews of the adequacy and effectiveness of the Group's material internal 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 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 financial, operational, IT and regulatory compliance matters and are reviewed and updated periodically. Compliance governance is governed by the respective regulatory compliance management committees and working teams. Employees are also guided by the Group's Core Values and expected to comply strictly with Keppel's 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.

### Enhancements to Compliance Programme in FY 2018

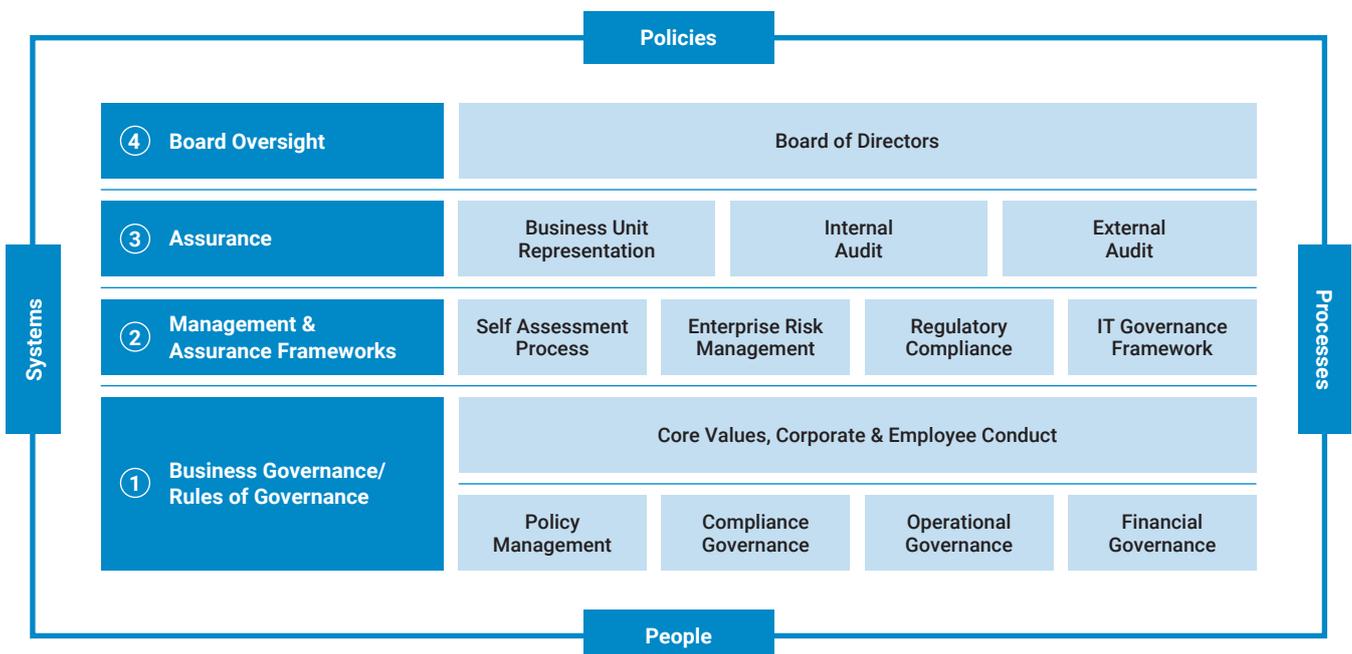
At Keppel, integrity is a core value. As our Code of Conduct states, "we care how results are achieved, not just that they are attained". Implementing that core value through enhancing our regulatory compliance process and by reminding every Keppelite of that value is a focus of attention for us, our boards, and officers and line managers across the globe.

This section provides an overview of the improvements and enhancements that have been made to strengthen Keppel's compliance programme over the past year. Further details of our compliance initiatives are set out on pages 107 and 108 of this Annual Report. The Company is committed to a continuous review and, where necessary and appropriate, further improvements and enhancements to the Group's compliance programme will be made.

The Group has taken the following steps over the past year to further enhance its internal controls, policies and procedures:

- (i) retained an independent consultant and successfully attained ISO 37001 certification in November 2018 for the Singapore operations of our wholly-owned subsidiary, Keppel Offshore & Marine Limited ("Keppel O&M"). Both the independent consultant and certifying authority have conducted additional compliance and risk assessments and recommended further enhancements of Keppel O&M's compliance programme;

### Keppel's System of Management Controls (KSMC)



- (ii) continuing to hire and integrate professional and experienced compliance officers in each business unit and to increase the Group's internal audit headcount; and hired a Senior Legal & Ethics counsel at the KCL level;
- (iii) continued training in each business unit, including focused 'gate-keeper' training for finance personnel, compliance training by external trainers for personnel who are involved in compliance, specialised compliance workshops on doing business in specific jurisdictions as well as continued training of senior management within the Group;
- (iv) rolled out and implemented a new Solicitations and Extortions Policy to provide guidance to employees on how to avoid and resist such types of improper payments, and enhanced the Group's Gifts and Hospitality Policy to address among others the area of customer travel;
- (v) simplified and consolidated various policies into user-friendly documents, such as with the introduction of the Group's Global Anti-Bribery Policy as a single plain language reference guide for all Keppel employees, and a stand-alone document specifying the Group's due diligence procedures with respect to intermediaries;
- (vi) regular messaging by the Group's and each business unit's senior management stressing the importance of compliance;
- (vii) regular discussions of compliance issues and matters at meetings of senior management, core functions, and board (or board committee) levels;
- (viii) enhancements to the Group's due diligence procedures with respect to intermediaries including, at Keppel O&M, having its board of directors, in addition to Keppel O&M board's audit and risk committee, review the due diligence procedures relating to Keppel O&M's commercial agents (i.e., third parties retained to assist Keppel O&M in obtaining business);
- (ix) conducted special compliance audits by Group Internal Audit on Keppel O&M's Singapore operations, as well as its Brazilian and U.S. operations; and
- (x) enhancements to our Whistle-Blower Policy with centralised procedures and established additional whistle-blower reporting channels, including an email hotline, local toll-free whistle-blower hotlines for Singapore, Brazil, China, U.S., Vietnam, Indonesia, Philippines, Australia, UK and Germany respectively, and an online reporting portal. The manning of these

additional reporting channels has been outsourced to a third party (KPMG). Further details of our Whistle-Blower Policy are set out on page 92 of this Annual Report.

### The Group's Enhanced Compliance Programme

The Group's enhanced compliance programme also includes the following:

- (i) a compliance governance structure that is overseen by a Regulatory Compliance Management Committee and Regulatory Compliance Working Team, bringing together senior management, compliance personnel, and other core function leads to discuss compliance enhancements and address compliance issues as they arise;
- (ii) a Supplier Code of Conduct, to integrate Keppel's sustainability principles across our supply chain, and positively influence the environmental, social and governance performance of our suppliers. Suppliers of the Group are expected to abide by the Supplier Code of Conduct, which covers areas pertaining to business conduct (including specific anti-bribery provisions), labour practices, safety and health, and environmental management;
- (iii) the dedicated independent Group-wide compliance function has reporting lines independent of business divisions. The Head of the Group's compliance function has a primary line of reporting to the Chairman of the BRC, with an administrative reporting line to the Chief Financial Officer (CFO) of the Company; and
- (iv) an enhanced Whistle-Blower Policy with centralised procedures and established local toll-free whistle-blower hotlines for Singapore, Brazil, China, USA, Vietnam, Indonesia, Philippines, Australia, UK and Germany respectively.

The Group's compliance programme is and will be subjected to a periodic review to ensure it meets the following standards, i.e. that:

#### 1. Board and Senior Management Commitment

The Group's senior management, including members of the Board, provide continuous, clear and explicit support to the compliance programme.

#### 2. Policies and Procedures

The Group continuously implements and communicates its corporate policy against violations of any anti-corruption laws. This policy has been and will continue to be documented in writing, include appropriate measures to reduce the prospect of violations of anti-corruption laws, and encourage and support the

observance of compliance policies and procedures by personnel at all levels of the Group. These anti-corruption policies and procedures apply to all directors, officers and employees and, where necessary and appropriate, outside parties acting on behalf of Keppel, including but not limited to, agents and intermediaries, consultants, representatives, partners, and suppliers.

Individuals at all levels of Keppel comply with Keppel's Code of Conduct and its compliance policies and procedures. Such policies and procedures address, among other areas:

- (a) gifts;
- (b) hospitality, entertainment, and expenses;
- (c) agent fees;
- (d) political contributions;
- (e) charitable donations and sponsorships;
- (f) facilitation payments; and
- (g) solicitation and extortion.

The Group ensures that:

- (a) books, records and accounts are in reasonable detail, and accurately and fairly reflect the transactions and disposition of assets; and
- (b) the Group develops and maintains a system of internal accounting controls, sufficient to provide reasonable assurance that:
  - i. transactions are performed in accordance with the Group's general guidelines or specific authorisation;
  - ii. transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and to maintain accountability for assets;
  - iii. access to assets shall only be permitted in accordance with the Group's general guidelines or specific authorisation; and
  - iv. the recorded accountability for assets shall be compared with the existing assets at reasonable intervals and appropriate action be taken with respect to any differences.

#### 3. Periodic Risk-based Review

The Group continues to enhance its compliance policies and procedures on the basis of a periodic risk assessment to ensure their continued effectiveness, taking into account relevant developments such as international and industry standards, and addressing the individual

## Corporate Governance

circumstances of the Group, and in particular corruption risks, including but not limited to its geographical organisation and sectors of industrial operation.

#### 4. Training and Orientation

The Group continuously ensures that its compliance policies and procedures are communicated effectively to all employees, including officers, directors, and where necessary and appropriate agents, and business partners. These mechanisms include:

- (a) periodic focused 'gate-keeper' training for senior management members (including directors), employees in positions of leadership, and targeted training for employees in positions otherwise exposed to corruption risks, and where necessary and appropriate, compliance training for agents and business partners, and annual e-training for directors, officers and employees; and
- (b) corresponding certifications by such senior management members (including directors), employees, agents and business partners, acknowledging their understanding of policies and conformity with training requirements.

#### 5. Internal Reporting, Communication and Investigation

The Group maintains a system for the internal reporting/communication of potential violations of compliance policies and procedures and applicable laws, that ensures as far as possible confidentiality to the whistle-blower and investigation subjects.

The Group maintains a process for receiving internal reports/communications with sufficient resources to respond and document allegations of violations of compliance policies and procedures and applicable law. When necessary, the Group undertakes independent investigations of the alleged violations.

#### 6. Enforcement and Discipline

The Group maintains and, where necessary, improves its mechanisms designed to effectively enforce its compliance policies and procedures including, where appropriate, the imposition of disciplinary measures in the case of violations.

The Group institutes disciplinary measures with reference to, among other things, violations of compliance policies and procedures and applicable law by its senior management (including directors) and employees. Such procedures should be applied consistently and fairly, regardless of the position held by, or the perceived importance of the senior management

member (including directors) or employee. Where misconduct is discovered, measures are taken promptly to cease the misconduct or irregularities, and remedy the harm resulting from such misconduct.

#### 7. Third-party Relationships

The Group continues to implement the following procedures with reference to its agents and business partners:

- (a) due diligence relating to the hiring of third-parties;
- (b) appropriate oversight of third-parties; and
- (c) seeking reciprocal commitments regarding ethical conduct from third-parties, associates and business partners.

When necessary, the Group includes in contracts with third-parties, agents and business partners, anti-corruption provisions, which may include the following:

- (a) commitment to act in accordance with applicable laws;
- (b) right to conduct audits of the books and records of third-parties, agents or business partners; and
- (c) right to terminate a contract due to violations of compliance policies and procedures or any applicable anti-corruption law by any third-party, agent or business partner.

#### 8. Mergers, Acquisitions and Corporate Restructuring

The Group implements policies and procedures aimed at identifying misconduct, irregularities, or the existence of vulnerabilities in potential new entities in the context of mergers, acquisitions and corporate restructuring.

The Group applies its compliance codes, policies and procedures in a speedy and efficient manner to newly-acquired businesses or entities, and conducts training for new employees, senior management (including directors), agents, and business partners.

#### 9. Monitoring and Developments

The Group conducts continuous monitoring of its compliance programme to enhance its effectiveness in preventing and detecting violations of its compliance policies and procedures and applicable law.

#### Annual Assurance

The Board has received assurance from CEO, Mr Loh Chin Hua and CFO, Mr Chan Hon Chew, that except for the matters described in sub-paragraph (2) below, 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 IT 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 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 2018, except for the matters described in sub-paragraph (2) below, 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 2018, except for the matters described in sub-paragraph (2) below, 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.

- (1) As part of the global resolution with the authorities, the Group has committed to strengthening the compliance and governance regime in Keppel O&M. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. In November 2018, Keppel O&M's entities in Singapore achieved certification for the ISO 37001 Anti-Bribery Management System.
- (2) Anti-bribery and corruption compliance audits were also performed during the year on entities within the Keppel O&M Group. These audits revealed that the enhanced policies and procedures put in place to-date were, in general, functioning as intended in the current year. The audits did, however, identify certain matters relating to contracts entered into several years ago which require follow-up actions

and further review. Notwithstanding, based on currently available information, management is of the opinion that no additional provisions would be required in relation to these matters.

- (3) With the Group's enhanced compliance programme in place as part of the global resolution, there is reasonable assurance that the current internal controls are adequate and effective.
- (4) The Group reiterates its zero tolerance for bribery and corruption and its commitment to continue to review its compliance measures and put in place effective and robust compliance and governance regimes to ensure that the Group secures business legally and ethically.

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 judgement 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 has an in-house internal audit function that supports the Group ("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. Group Internal Audit adopts a risk-based approach to evaluate the adequacy and effectiveness of key controls and procedures when performing audits of high-risk areas. They also undertake investigations as directed by the AC.

Staffed by suitably qualified executives, Group Internal Audit has direct access to the AC and unrestricted 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 Professional Practices Framework set by the IIA. External quality assessment reviews are carried out at least once every five years by qualified professionals, with the last assessment conducted in 2016. The results re-affirmed that the internal audit activity conforms to the International Standards for the Professional Practice of Internal Auditing. Group Internal Audit staff performs a yearly declaration of independence and confirm their adherence to Keppel's 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.

The purpose, authority, and responsibility of Group Internal Audit is formally defined in an internal audit charter, which is approved by the AC. The internal audit charter establishes Group Internal Audit's position within the organisation, including the nature of its functional reporting relationship with the AC; authorises access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. The Charter mandates Group Internal Audit to maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity, including the evaluation of its conformance with the Standards, and an evaluation of whether internal auditors apply the IIA's Code of Ethics.

During the year, Group Internal Audit adopted a risk-based auditing approach that focuses on key risks, including financial, operational, compliance and IT 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 personnel. 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 "Access to Information", the Company's Group Corporate Communications Department (with assistance from the Group Control & Accounts 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 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.keppcorp.com](http://www.keppcorp.com), and sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions.

The Company's mobile-friendly website is regularly updated with the latest information. These include latest updates on business and operations, quarterly financial statements and dividend information, 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.

The Company employs various platforms to effectively engage 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, email communications, publications and content on the Company's corporate website, as well as through facility visits, where shareholders may raise any queries or concerns that they may have. In addition, senior management meets investors, analysts and the media, as well as travels on roadshows, and participates in selected conferences organised by major brokerage firms to solicit and understand the views of the investment community. In FY 2018, the Company hosted about 216 meetings and conference calls with institutional investors, including several facility visits to its residential and commercial properties in China and Vietnam. Management also traveled on non-deal roadshows to meet overseas investors in the United States, the United Kingdom, Japan and Hong Kong.

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The Company engages retail shareholders at the general meeting. In addition, the Company has, since 2017, been collaborating with the Securities Investors Association (Singapore) (SIAS) to hold briefings for retail shareholders. In 2018, senior management briefed about 120 retail shareholders on the Company's strategy and performance.

All materials presented on these occasions are also made available on the SGXNET and the Company's website in a timely manner, to ensure fair disclosure of information for the benefit of all shareholders.

The Company's general meetings are held in central locations which are easily accessible by public transportation, ensuring that shareholders have the opportunity to participate effectively and vote at shareholders' meetings. Shareholders are informed of the meetings through notices published in the newspapers and via SGXNET, and reports or circulars sent or made available 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/she is allowed to appoint up to two proxies to vote on his/her 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 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.

At shareholders' meetings, each distinct issue is proposed as a separate resolution. 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, re-election of directors, and the remuneration of non-executive directors. The rationale for the resolutions to be proposed at the meeting is set out in the notices to the meeting or its accompanying appendices. However, where the issues

are interdependent and linked so as to form one significant proposal, the Company may propose "bundled resolutions" and will set out the reasons and material implication 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 shareholders' meetings. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary.

The constitution of the Company allows for absentia voting at general meetings. However, the Company is not implementing absentia voting methods such as voting via mail, email 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.

The Company is committed to rewarding shareholders fairly and sustainably, while balancing the payment of dividends with its capital requirements to ensure that the best interests of the Company are served. While it does not have a formal dividend policy, the Company has a consistent track record of distributing about 40 to 50% of its annual net profit as dividends. Any payment of interim dividend or, upon receipt of shareholders' approval at annual general meetings, final dividend, will be paid to all shareholders in an equitable and timely manner. For FY 2018, the Company will be paying out a total cash dividend of 30.0 cents per share to shareholders. Excluding the special cash dividend of 5.0 cents per share distributed in August 2018 to celebrate the Company's 50<sup>th</sup> anniversary, the total

dividend for FY 2018 represented a payout ratio of 48%.

The Company has identified and prioritised its material environmental, social and governance issues. An overview of the Company's approach to sustainability management can be found on pages 36 to 39 of this Annual Report. More details on Keppel Corporation's sustainability management and materiality approach will be made available through a separate Sustainability Report published by the Company annually in May.

### 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 and associated companies, 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 1 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 judgements 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 IT 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 results of the external audit and 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 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 internal audit, 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, 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 interests of 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 Perform such other functions as the Board may determine.
- 1.17 Ensure that the internal auditors and external auditors have direct and unrestricted access to the Chairman of the Committee.
- 1.18 Sub-delegate any of its powers within its terms of reference as listed above from time to time as the Committee may deem fit.
- 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 levels 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 Receive and review updates from Management to assess the adequacy and effectiveness of the Group's compliance framework in line with relevant laws, regulations and best practices.
- 1.6 Through interactions with the Compliance Lead who has a direct reporting line to the Committee, review and oversee performance of the Group's implementation of compliance programmes.
- 1.7 Review and monitor the Group's approach to ensuring compliance with regulatory commitments, including progress of remedial actions where applicable.
- 1.8 Review and monitor Management's responsiveness to the risks and matters identified and recommendations of the Group Risk and Compliance department.
- 1.9 Provide timely input to the Board on critical risk and compliance issues, material matters, findings and recommendations.
- 1.10 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.
- 1.11 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.
- 1.12 Perform such other functions as the Board may determine.
- 1.13 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.
- 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).

## Corporate Governance

<p>1.8 Review talent development plans.</p> <p>1.9 Review the training and professional development programmes for Board members.</p> <p>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:</p> <p>(i) listed on the Singapore Exchange or any other stock exchange;</p> <p>(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</p> <p>(iii) parent companies of the Company's core businesses which are unlisted.</p> <p>1.11 Report to the Board on material matters and recommendations.</p> <p>1.12 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.</p> <p>1.13 Perform such other functions as the Board may determine.</p> <p>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.</p>	<p>management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous.</p> <p>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).</p> <p>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.</p> <p>1.5 Report to the Board on material matters and recommendations.</p> <p>1.6 Review the Committee's terms of reference annually and recommend any proposed changes to the Board.</p> <p>1.7 Perform such other functions as the Board may determine.</p> <p>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.</p> <p>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/her.</p>	<p>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 Group company 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 Group company.</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 each Group company 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><b>D. Remuneration Committee</b></p> <p>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.</p> <p>1.2 Review the Company's obligations arising in the event of termination of the executive directors' and key</p>		
<p><b>E. Board Safety Committee</b></p> <p>1.1 Ensure there is a set of Group 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</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
Till Vestring	Independent	-	Member	Chairman	-	-
Veronica Eng	Independent	Member	-	-	Chairman	-
Jean-François Manzoni	Independent	-	-	-	Member	-



Keppel's Board Safety Committee regularly conducts site visits to the Group's operations such as the Keppel Marina East Desalination Plant in Singapore.

- 1.11 Consider management's proposals on safety-related matters.
- 1.12 Carry out such investigations into safety-related matters as the Committee deems fit.
- 1.13 Report to the Board on material matters, findings and recommendations.
- 1.14 Perform such other functions as the Board may determine.
- 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.

### Board Assessment Evaluation Processes Board

Each board member is required to complete a Board Evaluation Questionnaire and send the Questionnaire directly 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 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 in consultation with the Board Chairman thereafter meet with the executive director, where necessary, to provide feedback to the executive director 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 in consultation with the Board Chairman thereafter meet with the NEDs individually, where necessary, to provide feedback to the NEDs 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 judgement, 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 email, 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

## Corporate Governance

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 Policy

Keppel Whistle-Blower Policy (the "Policy") took effect on 1 September 2004 and was enhanced on 15 February 2017 to encourage reporting in good faith of suspected Reportable Conduct (as defined below) by establishing clearly defined and centralised 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/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 Audit Committee (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/she may make the report directly to the Receiving Officer or the AC Chairman.

Other Whistle-Blowers may report a suspected Reportable Conduct directly to the Receiving Officer or the AC Chairman, or via the whistle-blower reporting channels that the Group has established. There is an email hotline ([kpmgethicsline@kpmg.com](mailto:kpmgethicsline@kpmg.com)) and local toll-free numbers in Singapore, Brazil, China, USA, Vietnam, Indonesia, Philippines, Australia, UK and Germany. Manning of the whistle-blower hotline has been outsourced to a third party (KPMG) and provides for reporting in the languages listed above. KPMG also maintains the aforementioned email hotline and an on line portal, the link to which is available on the "Contact Us" section of the Company's website at [www.keppcorp.com](http://www.keppcorp.com).

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

Every Protected Report (referring to a report made in good faith that discloses suspected Reportable Conduct) received will be assessed by the Receiving Officer, who will review the information disclosed, interview the Whistle-Blower(s) when required and if contactable and, either exercising her own discretion or in consultation with the Investigation Advisory Committee, make

recommendations to the AC Chairman as to whether the circumstances warrant an investigation. If the AC Chairman or the AC (if the AC Chairman consults the other AC members), determines that an investigation should be carried out, the AC Chairman or the AC (as the case may be) shall determine the appropriate investigative process to be employed and the corrective or remedial actions (if any) to be taken. The AC Chairman and the Investigation Advisory Committee (if consulted) will use their respective best endeavours to ensure that there is no conflict of interests on the part of any person involved in the investigations. The Investigation Advisory Committee (comprising of representatives from each of the Group HR, Group Legal and Group Risk & Compliance departments), or such other representatives as the AC may determine) assists the AC Chairman with overseeing the investigation process and any matters arising therefrom.

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 Whistle-Blowers, 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 or she has cooperated as a Whistle-Blower or a witness in determining the suitable disciplinary measure to be taken against him/her.

## Appendix 2

### Rule 720(6) of the Listing Manual of the SGX-ST

The information required under Rule 720(6) read with Appendix 7.4.1 of the Listing Manual in respect of Directors whom the Company is seeking re-election by shareholders at the annual general meeting to be held in 2019 is set out below.

Name of Director	Alvin Yeo	Tan Ek Kia	Loh Chin Hua	Jean-François Manzoni
Date of Appointment	1 June 2009	1 October 2010	1 January 2014	1 October 2018
Date of last re-appointment (if applicable)	19 April 2016	19 April 2016	19 April 2016	N.A.
Age	57	70	57	57
Country of principal residence	Singapore	Singapore	Singapore	Switzerland
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The process for succession planning for the Board, appointment of directors, and the re-nomination and re-election of Directors to the Board, is set out in pages 73 to 76 of this Annual Report.			
Whether the appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive	Executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-executive and Independent Director; Audit Committee (Member); Nominating Committee (Member)	Non-executive and Independent Director; Board Safety Committee (Chairman); Board Risk Committee (Member); Audit Committee (Member)	Executive Director and Chief Executive Officer; Board Safety Committee (Member)	Non-executive and Independent Director; Board Risk Committee (Member)
Professional qualifications	LLB Honours, King's College London; University of London Gray's Inn (Barrister-at-Law); Senior Counsel, Singapore	BSc Mech Eng (First Class Hons), Nottingham University, UK; Management Development Programme, International Institute for Management Development Lausanne, Switzerland; Fellow of the Institute of Engineers, Malaysia Chartered Engineer of Engineering Council, UK; Member of Institute of Mechanical Engineer, UK	Bachelor in Property Administration, Auckland University; Presidential Key Executive MBA, Pepperdine University; <i>CFA@ charterholder</i>	DBA, Harvard Business School, Boston; MBA, McGill University, Montreal ; Bachelor, Business Administration; l'Ecole des Hautes Etudes Commerciales de Montréal; Fellow of the Singapore Institute of Directors
Working experience and occupation(s) during the past 10 years	2007 to Present Chairman & Senior Partner, WongPartnership LLP	Non-executive directorship role in various companies and full time executive as interim CEO of SMRT Corporation Ltd in year 2012.	1 Jan 2014 to Present: Chief Executive Officer, Keppel Corporation 1 Jan 2012 to 31 Dec 2013: Chief Financial Officer, Keppel Corporation 19 Sep 2011 to Present: Chairman, Alpha Investment Partners Limited 1 May 2003 to 31 Dec 2011: Managing Director, Alpha Investment Partners Limited	2016 to Present: IMD (the International Institute for Management Development) Switzerland 2011 to 2016: INSEAD Singapore Shell Chair in Human Resources and Organisational Development and Professor of Management Practice 2004 to 2010: IMD Singapore, Professor of Leadership and Organisational Development
Shareholding interest in the listed issuer and its subsidiaries	44,225 (direct interests) and 42,000 (deemed interests)	42,825 (direct interests)	1,310,592 (direct interest) and 38,500 (deemed interest)	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes	Yes

## Corporate Governance

### Appendix 2

#### Rule 720(6) of the Listing Manual of the SGX-ST

Name of Director	Alvin Yeo	Tan Ek Kia	Loh Chin Hua	Jean-François Manzoni
Other Principal Commitments including Directorships – Past (for the last 5 years)	Singapore Land Limited; Tuas Power Ltd; Thomson Medical Pte. Ltd.	CitySpring Infrastructure Management Pte Ltd (as Trustee-Manager of CitySpring Infrastructure Trust); City Gas Pte Ltd	KrisEnergy Ltd; Keppel REIT Management Limited (Manager of Keppel REIT); Various fund companies under management of Alpha Investment Partners Limited	Singapore Civil Service College
Other Principal Commitments including Directorships – Present	United Industrial Corporation Limited; United Overseas Bank Limited; Valencia C.F	KrisEnergy Ltd (Chairman); PT Chandra Asri Petrochemical Tbk; Transocean Ltd; SMRT Corporation Ltd; Keppel Offshore & Marine Ltd; Star Energy Group Holdings Pte Ltd (Chairman); Dialog Systems (Asia) Pte Ltd; Singapore LNG Corporation Pte Ltd	Keppel Telecommunication & Transportation Ltd (Chairman); Keppel Offshore & Marine Ltd (Chairman); Keppel Land Limited (Chairman); Keppel Infrastructure Holdings Pte. Ltd. (Chairman); Keppel Capital Holdings Pte. Ltd. (Chairman); Keppel Care Foundation Limited	IMD Foundation Board; Association to Advance Collegiate Schools of Business (AACSB) International
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	Yes Mr Yeo is the subject of an investigation by the Law Society/ disciplinary tribunal in relation to WongPartnership's representation of an elderly individual, in Court proceedings brought by family members to appoint Deputies to take charge of her assets, which were ultimately granted by the Court. The investigation is ongoing.	No	No	No
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes	No
If yes, please provide details of prior experience.	Please see above in relation to Other Principal Commitments including Directorships (both Past and Present)	Please see above in relation to Other Principal Commitments including Directorships (both Past and Present)	Please see above in relation to Other Principal Commitments including Directorships (both Past and Present)	Please see above in relation to Other Principal Commitments including Directorships (both Past and Present)
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.	N.A.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).				

## Code of Corporate Governance 2012

### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>General</b>		
	(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.	Yes.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	N.A.
<b>Board Responsibility</b>		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	All transactions exceeding \$150 million by any Group company (not separately listed) require the approval of the Board. For transactions between \$30 million and \$150 million, IMPAC will determine if Board approval is required, depending on the individual considerations for each case.
<b>Members of the Board</b>		
Guideline 2.6	(a) What is the Board's policy with regards to diversity in identifying director nominees?	The Nominating Committee (NC) reviews annually the balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, 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.
	(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.	The NC is satisfied that the Board and the board committees comprise directors who as a group provide an appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age. The NC is also satisfied that the directors, as a group, possess core competencies including 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.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	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.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	<b>For new directors</b> (a) The NC reviewed the balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, and the size of the Board which would facilitate decision-making. In this review, the NC also took into account the needs of the Group, the collective skills and competencies of the Board and service tenure spread of the directors. In the year under review (FY 2018), for purposes of Board succession planning, the NC also took into consideration the 2018 CG Code and the amendments to the SGX Listing Rules relating to the continued appointment as "independent directors" of a director who has served for an aggregate period of more than nine years, bearing in mind that these rules would come into effect from 1 January 2022. (b) In the light of such review and in consultation with management, the NC assessed 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. (c) NC met 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. (d) NC made recommendations to the Board for approval. <b>For incumbent directors</b> 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 him/herself for re-election at the annual general meeting immediately following his/her appointment.  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.

## Corporate Governance

### Code of Corporate Governance 2012

#### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
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 representations and/or other principal commitments 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 director's 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>
<b>Board Evaluation</b>		
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 91 of the Corporate Governance Report.</p> <p>Yes.</p>

## Code of Corporate Governance 2012

### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>Independence of Directors</b>		
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 &amp; Marine Group, and he is also the independent non-executive chairman of KrisEnergy Ltd which has an IPT framework agreement with the Company and its subsidiaries.</p> <p>Mr Alvin Yeo had declared to the NC that although he is a partner with a 5% or more stake in WongPartnership LLP, he did not involve himself in the selection and appointment of legal advisers for the Group, and that he supported the selection of legal advisers based on assessment of quality, and for their remuneration to be based on market rate. In addition, the NC noted that Keppel Infrastructure (KI) management had, of their own accord, appointed Mr Yeo as lead counsel to represent KI in its arbitration proceedings with the State of Qatar in relation to the Doha South Waste Management Centre project, based on merit and taking into consideration the complexity of the matter. Taking these factors into consideration together with Mr Yeo's comments, along with his active participation and actual performance on the Board and board committees in the discharge of his duties, his valuable contributions to the Board and board committees, and the outcome of the recent self and peer Individual Director Performance assessment, the NC unanimously agreed that Mr Yeo has at all times exercised independent judgement 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 (i) he was not involved in the negotiation of contracts or business dealings between TransOcean with the Keppel Offshore &amp; Marine Group, and (ii) the IPT framework agreement with KrisEnergy is renewed annually by a vote of the independent shareholders of KrisEnergy and he abstains from making any recommendations to the board and shareholders of KrisEnergy and from voting in respect of such agreement. The NC also took into account Mr Tan's active participation and actual performance on the Board and board committees, his valuable contributions to the Board and board committees and the outcome of the recent self and peer Individual Director Performance assessment, and unanimously agreed that Mr Tan has at all times exercised independent judgement 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 first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	<p>Yes. Dr Lee Boon Yang and Mr Alvin Yeo have both served beyond nine years since their respective first appointments.</p> <p>In relation to Dr Lee, taking into consideration, among other things, his active participation and actual performance on the Board and board committees in the discharge of his duties, his valuable contributions to the board and board committees and leadership as Chairman, and the outcome of the recent self and peer Individual Director Performance assessment, the NC agreed unanimously that Dr Lee has at all times exercised independent judgement 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>In relation to Mr Alvin Yeo, please see above the NC's reasons for considering him independent.</p>

## Corporate Governance

### Code of Corporate Governance 2012

Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>Disclosure on Remuneration</b>		
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	(a) Has the Company disclosed each key management personnel's remuneration, in bands of \$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?	Yes.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	Aggregate remuneration paid to top five key management personnel: \$12,137,512
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds \$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	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	The total remuneration mix comprises three key components; that is, annual fixed cash, annual performance bonus, 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 bonus is tied to the Company's, business unit's and individual employee's 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 KCL Share Plans are long-term incentive plans.
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	The remuneration structure is directly linked to corporate and individual performance, both in terms of financial and non-financial performance. The key performance indicators ("KPIs") for awarding of annual performance bonus are based on the four scorecard areas that the Company has identified as key to measuring the performance of the Group – (i) Financial and Business Drivers; (ii) Process; (iii) Stakeholders; and (iv) People. For the KCL PSP, performance conditions that are aligned with shareholder interests such as Total Shareholder Return, Return on Capital Employed and Net Profit are selected for equity awards.
	(c) Were all of these performance conditions met? If not, what were the reasons?	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 senior executive directors, executive director and key management personnel was fair and appropriate taking into account the extent to which their KPIs and performance conditions for FY 2018 were met.  Please refer to pages 78 to 81 of the Corporate Governance Report for more details.

**Code of Corporate Governance 2012**  
Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>Risk Management and Internal Controls</b>		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	<p>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. The Board also reviews the budget on an annual basis, and any material variance between the projections and actual results would be disclosed and explained.</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. Directors are also entitled to request from management, and would be provided with, such additional information as may be needed from time to time in order to make informed decisions.</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. The Board reviews the Group's key risks and, on an annual basis, assesses the adequacy and effectiveness of the risk management system.</p>
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	Yes.
Guideline 11.3	(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>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>

## Corporate Governance

### Code of Corporate Governance 2012

#### Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
Guideline 11.3	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	<p>Yes. The Board has received assurance from the CEO and the CFO on points (i) and (ii), except for the matters described in sub-paragraph (2) below. The Board received assurance from the external auditor on the adequacy and effectiveness of the Company's internal control systems.</p> <p>(1) As part of the global resolution with the authorities, the Group has committed to strengthening the compliance and governance regime in Keppel O&amp;M. Amongst others, it included a commitment to secure certification of ISO 37001 Anti-Bribery Management System and testing of the effectiveness of the policies and procedures put in place. In November 2018, Keppel O&amp;M's entities in Singapore achieved certification for the ISO 37001 Anti-Bribery Management System.</p> <p>(2) Anti-bribery and corruption compliance audits were also performed during the year on entities within the Keppel O&amp;M Group. These audits revealed that the enhanced policies and procedures put in place to-date were, in general, functioning as intended in the current year. The audits did, however, identify certain matters relating to contracts entered into several years ago which require follow-up actions and further review. Notwithstanding, based on currently available information, management is of the opinion that no additional provisions would be required in relation to these matters.</p> <p>(3) With the Group's enhanced compliance programme in place as part of the global resolution, there is reasonable assurance that the current internal controls are adequate and effective.</p> <p>(4) The Group reiterates its zero tolerance for bribery and corruption and its commitment to continue to review its compliance measures and put in place effective and robust compliance and governance regimes to ensure that the Group secures business legally and ethically.</p>
Guideline 12.6	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.</p>	<p>The Group's estimated audit fees payable to the external auditors of the Company and other auditors of subsidiaries for FY 2018 is \$5,122,000. The Group's non-audit services fees paid to external auditors of the Company and other auditors of subsidiaries amounted to \$640,000.</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>

**Code of Corporate Governance 2012**

## Guidelines for Disclosure

Guideline	Questions	How has the Company complied?
<b>Communication with Shareholders</b>		
Guideline 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>Yes.</p> <p>In FY 2018, the Company hosted about 216 meetings and conference calls with institutional investors, including several facility visits to its residential and commercial properties in China and Vietnam. Management also traveled on non-deal roadshows to meet overseas investors in the United States, the United Kingdom, Japan and Hong Kong. Such meetings provide useful platforms for management to engage with investors and analysts. In addition, the Company engaged retail shareholders through a Briefing to Retail Shareholders, organised with SIAS, during which senior management briefed about 120 retail shareholders on the Company's strategy and performance.</p> <p>This role is performed by Group Communications Department (with assistance from the Group Control &amp; Accounts and Group Legal departments, where required).</p> <p>The Company employs various platforms to effectively engage 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, email communications, publications and content on the Company's corporate website, as well as through facility visits, where shareholders may raise any queries or concerns that they may have. The Company also attends selected conferences and overseas non-deal roadshows to engage institutional investors and shareholders. The Company engages retail shareholders at the general meeting. In addition, the Company has, since 2017, been collaborating with SIAS to hold briefings for retail shareholders. All materials presented on these occasions are also made available on the SGXNET and the Company's website in a timely manner, to ensure fair disclosure of information for the benefit of all shareholders.</p> <p>In addition to shareholder meetings, senior management meets investors, analysts and the media, as well as travels on roadshows, and participates in selected conferences organised by major brokerage firms 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
<b>Guideline 1.3</b> Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	Page 71
<b>Guideline 1.4</b> 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 73
<b>Guideline 1.5</b> The type of material transactions that require board approval under guidelines	Page 73
<b>Guideline 1.6</b> The induction, orientation and training provided to new and existing directors	Page 73
<b>Guideline 2.3</b> 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 73 and 74
<b>Guideline 2.4</b> 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.	Pages 73 and 74
<b>Guideline 3.1</b> Relationship between the Chairman and the CEO where they are immediate family members	N.A.
<b>Guideline 4.1</b> 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 75, 89 and 90
<b>Guideline 4.4</b> The maximum number of listed company board representations which directors may hold should be disclosed	Page 96
<b>Guideline 4.6</b> Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	Pages 75 and 76
<b>Guideline 4.7</b> Key information regarding directors, including which directors are executive, non-executive or considered by the NC to be independent	Pages 22 to 25
<b>Guideline 5.1</b> 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	Pages 91 and 92
<b>Guideline 7.1</b> 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 77 and 90
<b>Guideline 7.3</b> 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 77
<b>Guideline 9</b> Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	Pages 77 to 81
<b>Guideline 9.1</b> 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 77 to 81
<b>Guideline 9.2</b> 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 80

## Code of Corporate Governance 2012

### Specific Principles and Guidelines for Disclosure

Relevant Guideline or Principle	Page Reference in this Report
<b>Guideline 9.3</b> Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of \$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 81
<b>Guideline 9.4</b> Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds \$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 \$50,000	Page 80
<b>Guideline 9.5</b> Details and important terms of employee share schemes	Pages 113 to 115 and 149 to 151
<b>Guideline 9.6</b> 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 78 to 81
<b>Guideline 11.3</b> 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 83 to 87
<b>Guideline 12.1</b> 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 82, 88 and 89
<b>Guideline 12.6</b> 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 82 and 100
<b>Guideline 12.7</b> The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report	Page 92
<b>Guideline 12.8</b> 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 82 and 83
<b>Guideline 12.9</b> A former partner or director of the Company's existing auditing firm or auditing corporation should not act as a member of the Company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation	Page 82
<b>Guideline 15.4</b> 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 87 and 88
<b>Guideline 15.5</b> Where dividends are not paid, companies should disclose their reasons.	N.A.