

CORPORATE GOVERNANCE REPORT

Chip Eng Seng Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to achieving high standards of corporate governance in complying with the Code of Corporate Governance 2018 (the “**Code**”) which forms part of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual. The Company believes that good corporate governance provides the framework for an ethical and accountable corporate environment, which is essential to the long-term sustainability of the Group’s businesses and performance, as well as protection of shareholders’ interests.

This report sets out the Group’s corporate governance practices that were in place throughout the financial year ended 31 December 2019 (“**FY2019**”) with specific reference to the principles and provisions of the Code and guideline 2.4 of the Code of Corporate Governance 2012 which is applicable prior to 1 January 2022. The Company has complied in all material respects with the principles and provisions in the Code. Where there is any deviation from any provisions of the Code, an explanation has been provided in this report for the variation and how the practices adopted by the Group are consistent with the intent of the relevant principle. This report should be read in totality, rather than read separately under each principle of the Code.

BOARD MATTERS

PRINCIPLE 1: THE BOARD’S CONDUCT OF ITS AFFAIRS

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

The principal duties of the Board include:

- providing entrepreneurial leadership and guidance to the management team of the Group (“**Management**”) in setting the Company’s strategic aims, and ensuring that the necessary financial and human resources are in place for the Group to meet its strategic objectives, which include appropriate focus on value creation, innovation and sustainability;
- overseeing financial reporting and reviewing the financial results of the Group;
- monitoring the implementation of strategies and reviewing the business performance of the Group;
- instilling an ethical corporate culture and ensuring that the Company’s values, standards, policies and practices are consistent with its ethos and are adhered to, and ensuring that obligations to shareholders and other stakeholders are transparent, understood and met;
- considering sustainability issues such as environmental, social and governance factors, as part of the strategic formulation, including identifying key stakeholder groups;
- approving the appointment of Directors and management personnel (as defined in the Code wherever it appears in this report), taking into consideration the recommendations of the Nominating Committee;
- approving the remuneration packages for the Executive Directors and other key management personnel, taking into consideration the recommendations of the Remuneration Committee;
- establishing a framework of prudent and effective internal control and risk management framework which enables risk to be assessed and managed, including safeguarding of shareholders’ interest and the Group’s assets, taking into consideration feedback and recommendations from the Audit and Risk Committee;
- approving material acquisitions and disposals of assets, mergers and acquisitions, major corporate policies in key areas of operations, major funding, investment proposals, divestments, issuance of shares, dividends and proposals relating to shareholder returns, the Group’s financial results and material interested person transactions (“**IPTs**”); and
- ensuring the Group’s compliance with laws, regulations, policies, directives, guidelines and internal code of conduct.

CORPORATE GOVERNANCE REPORT

Provision 1.1 - Director's conflicts of interest

All Directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group.

Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict. They are also required to avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of the Group. Where a Director has a conflict of interest, or it appears that he/she might have a conflict of interest, in relation to any matter, he/she is required to send a written notice to the Company containing details of his/her interest and the conflict or to declare such interest at a meeting of the Directors (or in written resolutions to be passed), and recuse himself/herself from participating in any discussion and decision on the matter. Where relevant, the Directors have complied with such requirement, and such compliance is duly recorded in the minutes of meeting and/or Directors' Resolutions in writing.

Provision 1.2 - Induction and training of Directors

Newly-appointed Directors will receive formal letters, setting out their duties and obligations. The Group also conducts an orientation programme for new Directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. Arrangements are also made for new Directors to meet Management for a better understanding of the Group's businesses and operations. Further, at the quarterly Board meetings, the Chief Financial Officer ("**CFO**") provides the Board with regular updates on the Group's business performance and plans.

To keep pace with new laws, regulations, changing commercial risks and accounting standards, all Directors engage in constant dialogues with Management and professionals from time to time. The Company will hold a Directors' training annually, which is conducted by professional parties such as law firms or accounting firms, to update the Directors of key changes in laws, rules and regulations, and accounting standards.

Directors are also encouraged to attend, at the Company's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations.

Mr. Yam Ah Mee, who was appointed as a Non-Executive and Non-Independent Director of the Company on 12 December 2019, and Prof. Yaacob Bin Ibrahim who was appointed as an Independent Director of the Company on 20 February 2020, have no prior experience as a director of an issuer listed on the SGX-ST. They will thus be attending the Listed Entity Directors Programme conducted by Singapore Institute of Directors within one year from the date of their respective appointment to the Board.

Provision 1.3 - Matters requiring Board's approval

The Company has adopted internal guidelines setting forth matters that require the Board's approval. The matters reserved for the Board's decision include the following:

- material acquisitions;
- material divestments;
- major corporate policies in key areas of operations;
- major funding;
- investment proposals;
- issuance of shares;
- declaration of dividends;
- proposals relating to shareholder returns;
- the Group's financial results;
- material IPTs; and
- establishment of the various Board Committees (including its composition and terms of reference).

CORPORATE GOVERNANCE REPORT

Provision 1.4 - Delegation by the Board

The Board has delegated certain functions to various Board Committees, namely the Audit and Risk Committee (“**ARC**”), the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”) and the Investment Committee (“**IC**”). The IC was recently established with effect from 20 February 2020. The Company’s Audit Committee was also renamed as the Audit and Risk Committee with effect from 20 February 2020 to place emphasis on the risk management role undertaken by such committee.

Each Board Committee reports to the Board and has its own written terms of reference. The written terms of reference of each Board Committee sets out the relevant authority delegated by the Board for such committee to make decisions. These terms of reference also set out the conduct of meetings including quorum, voting requirements and qualifications for Board Committee membership. Each Board Committee will review its terms of reference from time to time to ensure relevance. Board approval is required for any changes to the terms of reference for any Board Committee.

The Board acknowledges that while each Board Committee is authorised to decide or provide its recommendations on particular issues, the ultimate responsibility on all matters lies with the Board.

The composition of the Board and each Board Committee as at the date of this report are as follows:

Name of Director	Position	Board Committee Membership			
		ARC	RC	NC	IC
Celine Tang @ Chen Huaidan @ Celine Tang (“ Celine Tang ”)	Non-Executive and Non-Independent Director and Chairman	–	–	–	–
Chia Lee Meng Raymond (“ Raymond Chia ”) ⁽¹⁾	Executive Director and Group Chief Executive Officer (“ CEO ”)	–	–	–	–
Tan Tee How	Executive Director	–	–	–	–
Yam Ah Mee ⁽²⁾	Non-Executive and Non-Independent Director	–	–	–	–
Ang Mong Seng ⁽³⁾	Lead Independent Director	–	Chairman	Member	Member
Abdul Jabbar Bin Karam Din (“ Abdul Jabbar ”) ⁽⁴⁾	Independent Director	Member	Member	–	Member
Lock Wai Han ⁽⁵⁾	Independent Director	Member	–	Member	–
Low Teck Seng ⁽⁶⁾	Independent Director	–	Member	Member	Chairman
Neo Boon Siong ⁽⁷⁾	Independent Director	Chairman	–	–	–
Yaacob Bin Ibrahim ⁽⁸⁾	Independent Director	Member	–	Chairman	–

Notes:

- ⁽¹⁾ Mr. Raymond Chia was appointed as a member of the NC and RC on 24 April 2019 and subsequently stepped down from both committees on 20 February 2020.
- ⁽²⁾ Mr. Yam Ah Mee was appointed as a Non-Executive and Non-Independent Director of the Company on 12 December 2019.
- ⁽³⁾ Mr. Ang Mong Seng stepped down as chairman of the ARC and was appointed as chairman of the RC and a member of the IC on 20 February 2020.
- ⁽⁴⁾ Mr. Abdul Jabbar was appointed as chairman of the NC in place of Mr. Ung Gim Sei who retired at the AGM of the Company held on 24 April 2019. He was appointed as a member of the IC and stepped down as chairman of the NC on 20 February 2020. Concurrently, he stepped down as chairman of the RC but remained as a member of the RC.
- ⁽⁵⁾ Mr. Lock Wai Han was appointed as a member of the NC on 20 February 2020.
- ⁽⁶⁾ Prof. Low Teck Seng was appointed as an Independent Director of the Company on 12 December 2019. He was subsequently appointed as chairman of the IC and a member of the RC and NC on 20 February 2020.
- ⁽⁷⁾ Dr. Neo Boon Siong was appointed as an Independent Director of the Company on 12 December 2019. He was subsequently appointed as chairman of the ARC on 20 February 2020.
- ⁽⁸⁾ Prof. Yaacob Bin Ibrahim was appointed as an Independent Director of the Company on 20 February 2020. Concurrently, he was appointed as chairman of the NC and a member of the ARC.

No alternate Director was appointed to the Board in FY2019.

CORPORATE GOVERNANCE REPORT

Provision 1.5 - Board processes, including Directors' attendance at meetings

Board Committee meetings, and general meetings

The Board meets on a quarterly basis to review the key activities and business strategies of the Group, and as and when warranted by particular circumstances. The Company's Constitution and/or written terms of reference allows Board and Board Committee meetings to be conducted by way of telephone or video conference and other similar means of communication whereby all persons participating in the meeting are able to communicate as a group, without requiring the Directors' physical presence at the meeting. The Board and Board Committees may also make decisions through circulating resolutions.

The details of the number of Board and Board Committee meetings, annual general meeting ("AGM") and extraordinary general meeting ("EGM") held from 1 January 2019 to 31 December 2019 as well as the Directors' attendance at those meetings are disclosed below:

Name of Directors	General meetings						Board Committee meetings ⁽¹⁾					
	AGM		EGM		Board		ARC		RC		NC	
	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended	No. of meetings Held	No. of meetings Attended
Celine Tang	1	1	1	1	4	4						
Raymond Chia ⁽²⁾	1	1	1	1	4	4			1	1	-	-
Tan Tee How	1	1	1	1	4	4						
Ang Mong Seng	1	1	1	1	4	4	4	4	2	2	1	1
Abdul Jabbar	1	1	1	1	4	4	4	4	2	2	1	1
Lock Wai Han	1	1	1	1	4	4	4	4				
Ung Gim Sei ⁽³⁾	1	1	1	1	1	0	1	0	1	1	1	1
Lui Tuck Yew ⁽⁴⁾	1	1	1	1	4	4	4	4				
Yam Ah Mee ⁽⁵⁾					-	-						
Low Teck Seng ⁽⁶⁾					-	-						
Neo Boon Siong ⁽⁷⁾					-	-						
Yaacob Bin Ibrahim ⁽⁸⁾												

Notes:

- ⁽¹⁾ As the IC was formed on 20 February 2020, no IC meeting was held in 2019.
- ⁽²⁾ Mr. Raymond Chia was appointed as a member of the NC and RC on 24 April 2019. There was no NC meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽³⁾ Mr. Ung Gim Sei retired as an Independent Director of the Company at the AGM held on 24 April 2019. Accordingly, he stepped down as chairman of the NC and a member of the ARC and RC. His attendances at the ARC, NC, RC and Board meetings are recorded up to the date of his retirement thereof.
- ⁽⁴⁾ Mr. Lui Tuck Yew resigned as an Independent Director of the Company and stepped down as a member of the ARC on 31 October 2019. His attendances at the ARC and Board meetings are recorded up to the date of his resignation thereof.
- ⁽⁵⁾ Mr. Yam Ah Mee was appointed as Non-Executive and Non-Independent Director of the Company on 12 December 2019. There was no Board meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽⁶⁾ Prof. Low Teck Seng was appointed as an Independent Director of the Company on 12 December 2019. There was no Board meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽⁷⁾ Dr. Neo Boon Siong was appointed as an Independent Director of the Company on 12 December 2019. There was no Board meeting held during the period from the date of his appointment to 31 December 2019.
- ⁽⁸⁾ Prof. Yaacob Bin Ibrahim was appointed as an Independent Director of the Company on 20 February 2020.

CORPORATE GOVERNANCE REPORT

Provision 1.6 - Complete, adequate and timely information

Management recognises the importance of ensuring the provision of complete, adequate and timely information to the Directors on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities. The Board has separate and independent access to Management and is entitled to request additional information from Management.

In order to ensure that the Board is able to discharge its responsibilities effectively, Management provides the Directors with regular updates on the operational and financial performance of the Group and on material developments relating to the Group. To allow Directors sufficient time to prepare for meetings, all Board and Board Committee papers are distributed to the relevant Directors at least three working days prior to the meeting, save in the case of any ad hoc or urgent meeting. Any additional material or information requested by the Directors is promptly furnished. Key members of Management who are in a position to provide additional insight in the matters to be discussed will be present at the relevant time during the Board and Board Committee meetings.

Provision 1.7 - Company Secretaries and independent professional advice

Directors have separate and independent access to the Joint Company Secretaries. The Joint Company Secretaries are responsible for, among other things, ensuring that Board procedures are observed and that the Company's Constitution, relevant rules and regulations, including requirements of the Companies Act (Chapter 50 of Singapore) and SGX-ST Listing Manual, are complied with. They also assist the Board to implement corporate governance practices and processes.

The Joint Company Secretaries further assist the Chairman of the Board in ensuring good information flow within the Board and the Board Committees and between Management and Non-Executive Directors ("**NEDs**").

The Joint Company Secretaries or their representative(s) attend and prepare minutes for all Board meetings and also assist in ensuring coordination and liaison between the Board, the Board Committees and Management. The Joint Company Secretaries also assist the Chairman of the Board, the chairman of Board Committees and Management in the development of the agendas for the various Board and Board Committee meetings.

The appointment or removal of any of the Joint Company Secretaries is a decision of the Board as a whole.

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

Provisions 2.1 and 4.4 - Directors' independence review

An "independent" Director is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

For FY2019, the Board, with the concurrence of the NC, had adopted a declaration of independence based on provision 2.1 of the Code and Rule 210(5)(d) of the SGX-ST Listing Manual ("**Revised Definition on Director's Independence**").

Provisions 2.2 and 2.3 - Composition of (i) Independent Directors and (ii) Non-Executive Directors on the Board

Currently, the Independent Directors of the Company make up a majority of the Board which comprises 10 Directors, of whom six are Independent Directors, two are Executive Directors (one of whom is also the Group CEO) and two are Non-Executive and Non-Independent Directors (one of whom is the Chairman of the Board).

Accordingly, the NEDs make up a majority of the Board.

CORPORATE GOVERNANCE REPORT

Provision 2.4 - Composition of the Board and Board Committees, and Board Diversity Policy

The Company is committed to building a diverse, inclusive and collaborative culture. It recognises that a diverse Board of an appropriate size is an important element which will better pave the way for the Company to achieve its strategic objectives, for sustainable development, avoid groupthink and foster constructive debate. A diverse Board also enhances the decision-making process through perspectives derived from differentiating skillsets, business experience, industry discipline, gender, age, ethnicity and culture, geographical background and nationalities, tenure of service and other distinguishing qualities of the Directors.

Each year, the NC reviews the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure an appropriate balance and mix of skillset, knowledge, experience and gender, with a strong element of independence.

Pursuant to provision 2.4 of the Code, the Board has adopted a Board Diversity Policy. Having regard to the guidelines in the Board Diversity Policy, the NC will, in reviewing the Board's composition, rotation and retirement of Directors and succession planning, take into account factors, including but not limited to gender, age, nationality, ethnicity, cultural background, educational background, experience, skills, knowledge, independence and length of service. These differentiating factors will be considered in determining the optimum composition of the Board and when possible will be balanced appropriately.

Any external search consultants, if required, engaged to assist the Board or the NC to search for candidates for appointment to the Board will be specifically directed to include candidates from diverse backgrounds and female candidates. The decision on the selection of Director(s) to be appointed on the Board will ultimately be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity balanced with the needs of the Board.

The current composition of the Board reflects its commitment to the relevant diversity in gender, age, ethnicity, skills and knowledge. The core competencies of the Directors include banking, accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. The Board considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

No individual or select group of individuals dominates the Board's decision-making process as a majority of the Board (60%) is made up of Independent Directors. Accordingly, there is a strong and independent element on the Board and the Company complies with provisions 2.2 and 2.3 of the Code.

Taking into account the nature and scope of the Group's operations and the number of Board Committees, the Board, with the concurrence of the NC, is of the view that the current board size and composition is adequate. The Board believes that the current size and composition provides sufficient diversity without interfering with efficient decision-making. The Directors' credentials including working experience, academic and professional qualifications are presented at the Board of Directors section of the annual report.

The NC will review the Board Diversity Policy from time to time as appropriate, to ensure the effectiveness of such policy. The NC will also discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

CORPORATE GOVERNANCE REPORT

Provision 2.5 - Role of the Non-Executive Directors

The NEDs (including, for the avoidance of doubt, the Independent Directors) participate actively in Board meetings. Backed by their professional expertise, experience and knowledge, the NEDs provide constructive advice and guidance for effective discharge by the Board of its principal functions over the Group's strategies, businesses and other affairs. The NEDs also constructively challenge and advise on the development of directions on strategy as well as review the performance of Management in achieving targeted goals and objectives. In addition, the NEDs also monitor the reporting of the Group's business and financial performance.

All the Independent Directors, led by the Lead Independent Director, meet at least annually without the presence of the Executive Directors and other Non-Independent Directors to discuss matters of significance which findings are then reported to the Chairman of the Board.

The NEDs are also in frequent contact with one another outside the Board and Board Committee meetings and hold regular informal discussions amongst themselves. Any feedback would be provided to the Board and/or Chairman of the Board as appropriate.

PRINCIPLE 3: CHAIRMAN AND CEO

Provisions 3.1 and 3.2 - Chairman and CEO

The roles and responsibilities between the Chairman of the Board and the Group CEO of the Company are held by separate individuals to ensure that there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. There is no one individual who has unfettered powers of decision-making.

Mrs. Celine Tang, Non-Executive and Non-Independent Chairman, leads the Board to ensure its effectiveness on all aspects of its role and takes a leading role in the Group's drive to achieve and maintain a high standard of corporate governance with the full support of the Directors, Joint Company Secretaries and Management. She approves the agendas for Board meetings, ensures sufficient allocation of time for thorough discussion of agenda items and promotes a culture of openness and debate at the Board level. She also ensures that Board matters are effectively organised to enable Directors to receive complete, adequate and timely information in order to make sound decisions, promote constructive relations within the Board and between the Board and Management, and ensure effective communication with shareholders. She also facilitates effective contribution from NEDs.

Mr. Raymond Chia, an Executive Director and the Group CEO, manages and supervises the day-to-day business operations of the Group in accordance with the strategies, policies and business plans approved by the Board. He is assisted by Mr. Tan Tee How (the Company's other Executive Director), the CFO and other key management personnel to oversee the daily running of the Group's operations and execution of strategies and plans.

Mrs. Celine Tang and Mr. Raymond Chia do not have any familial relationship.

Provision 3.3 - Lead Independent Director

The Board is of the view that there are sufficient safeguards and checks in place to ensure that there is a good balance of power, accountability and capacity of the Board for independent decision-making. The Board appointed Mr. Ang Mong Seng to act as the Lead Independent Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Non-Executive and Non-Independent Chairman, the Group CEO or the CFO has failed to provide satisfactory resolution, or when such contact is inappropriate. Mr. Ang can be contacted at LeadID@chipengseng.com.sg.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 4: BOARD MEMBERSHIP

Provisions 4.1 and 4.2 - NC's duties and composition

The NC has a set of written terms of reference, which provides that its composition shall comprise at least three Directors, the majority of whom including the chairman of the NC, shall be independent. The NC comprises the following Independent Directors:

1. Prof. Yaacob Bin Ibrahim (Chairman)
2. Mr. Ang Mong Seng, Lead Independent Director
3. Mr. Lock Wai Han
4. Prof. Low Teck Seng

The NC holds at least one NC meeting in each financial year and whenever warranted by particular circumstances deemed appropriate by the NC. The NC is responsible for making recommendations to the Board on all Board appointments, re-election and/or re-appointments. Its key terms of reference include the following:

- reviewing and recommending to the Board the appointment and re-election/re-appointment of Directors;
- reviewing the skillsets required by the Board, and the size of the Board;
- ensuring that the Company adheres to the Board composition rules, including having Independent Directors make up a majority of the Board;
- evaluating whether or not a Director is able to and has been adequately carrying out his/her duties as Director of the Company, when he/she has multiple board representations;
- developing a process for evaluating the performance of the Board, its Board Committees and each individual Director;
- conducting a formal assessment on the effectiveness of the Board as a whole and each individual Director;
- reviewing the training and professional development programmes for the Board; and
- reviewing the Board's succession plans for Directors, in particular, the Non-Executive and Non-Independent Chairman, the Group CEO and other key management personnel.

CORPORATE GOVERNANCE REPORT

Provision 4.3 - Process for selection and appointment of new Directors

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

- The NC evaluates the balance of skills, knowledge and experience of the existing Board and the requirements of the Group, taking into consideration diversity requirements. In light of such evaluation, the NC determines the role and the key attributes that an incoming director should have.
- After endorsement by the Board of the key attributes, the NC taps on resources such as Directors' personal contacts and recommendations for potential candidates and goes through a short-listing process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed in the search process. No external search consultant was engaged during FY2019.
- The NC meets with the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required.
- The NC recommends the most suitable candidate to the Board for appointment as Director.

Provision 4.3 - Process for re-election/re-appointment of Directors

The NC is responsible for re-election/re-appointment of Directors. In its deliberations on the re-election/re-appointment of existing Directors, the NC takes into consideration the Director's contribution and performance.

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

All Directors submit themselves for re-nomination and re-election/re-appointment at regular intervals of at least once every three years. Regulation 115 of the Company's Constitution provides that one-third of the Directors (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and be subject to re-appointment at the Company's AGM.

In addition, Regulation 119 of the Company's Constitution provides that a Director appointed during the financial year must retire and submit himself/herself for re-election/re-appointment at the next AGM following his/her appointment. Thereafter, he or she is subject to re-appointment at least once every three years.

Pursuant to the one-third rotation rule, Mr. Raymond Chia and Mr. Abdul Jabbar will retire at the forthcoming AGM. Mr. Yam Ah Mee, Prof. Low Teck Seng, Dr. Neo Boon Siong and Prof. Yaacob Bin Ibrahim will retire pursuant to the Regulation 119 of the Company's Constitution. The NC is satisfied that Mr. Raymond Chia, Mr. Abdul Jabbar, Mr. Yam Ah Mee, Prof. Low Teck Seng, Dr. Neo Boon Siong and Prof. Yaacob Bin Ibrahim, who are retiring in accordance with the Company's Constitution at the forthcoming AGM, are properly qualified for re-election/re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations. Accordingly, the NC has recommended to the Board the re-election of these six Directors. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a Director.

CORPORATE GOVERNANCE REPORT

The requirements under Rule 720(6) of the SGX-ST Listing Manual are set out below:

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Date of Appointment	1 February 2016	2 February 2018	12 December 2019	12 December 2019	12 December 2019	20 February 2020
Date of last re-appointment/ re-election (if applicable)	25 April 2018	25 April 2018	N.A.	N.A.	N.A.	N.A.
Age	53	50	62	64	62	64
Country of Principal Residence	Singapore	Singapore	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The NC has recommended that Mr. Chia be re-elected, taking into account the instrumental role which Mr. Chia, as Executive Director and Group CEO, has played in overseeing the operations of the Group and charting the long-term growth of the Group.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Chia had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Mr. Jabbar be re-elected, taking into account the valuable insight and advice contributed by Mr. Jabbar.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Jabbar had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Mr. Yam be re-elected, taking into account his track record, experience and capabilities to, amongst others, create synergy amongst the different construction segments and to uphold and enhance the Group's corporate governance standards drawing from his vast experience in the public sector.</p> <p>The Board supported the NC's recommendation.</p> <p>Mr. Yam had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Prof. Low be re-elected, taking into account his track record, experience and capabilities to, amongst others, assist the Board to chart the strategic directions for growing and shaping the Group's education business and enhance the Group's capabilities in infrastructure and engineering projects.</p> <p>The Board supported the NC's recommendation.</p> <p>Prof. Low had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Dr. Neo be re-elected, taking into account his track record, experience and capabilities to assist the Board in charting strategic directions and strengthening corporate governance as well as contribute to the development of the Group's education business.</p> <p>The Board supported the NC's recommendation.</p> <p>Dr. Neo had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>	<p>The NC has recommended that Prof. Yaacob be re-elected, taking into account his track record, experience and capabilities to, amongst others, provide insight and guidance to the expansion of the Group's businesses and provide the Board with different perspectives during board discussions.</p> <p>The Board supported the NC's recommendation.</p> <p>Prof. Yaacob had abstained from voting on any resolution and making any recommendation and/or participating in the deliberation in respect of his own re-election.</p>
Whether appointment is executive, and if so, the area of responsibility	Executive, Responsible for the Group's overall operations, strategic planning and investment decisions.	Non-Executive.	Non-Executive.	Non-Executive.	Non-Executive.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Group CEO	Independent Director, member of the ARC, RC and IC	Non-Executive and Non-Independent Director	Independent Director, chairman of the IC and member of the RC and NC	Independent Director and chairman of the ARC	Independent Director, chairman of the NC and member of the ARC
Professional Qualifications	Please refer to the Directors' respective biographies on pages 26 to 29 of this Annual Report.					

CORPORATE GOVERNANCE REPORT

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Working experience and occupation(s) during the past 10 years	<p>June 2007 to December 2014: Group Chief Executive Officer of the Company</p> <p>January 2013 to December 2014: Executive Deputy Chairman of the Company</p> <p>April 2015 to January 2016: Chief Executive Officer of LGB Corporation Pte. Ltd.</p> <p>May 2016 to October 2018: Executive Chairman of the Company</p> <p>February 2016 to present: Executive Director and Group CEO of the Company</p>	<p>Executive Committee Partner and Head of Corporate and Transactional Practice, Rajah and Tann Singapore LLP</p>	<p>2005 to 2010: Chief Executive Officer of Land Transport Authority, and Chairman of EZ Link Pte Ltd and MSI Global Pte Ltd</p> <p>2010 to 2013: Chief Executive Director of People's Association</p> <p>April 2013 to present: Chief Executive Officer of Sembcorp Design and Construction Pte. Ltd.⁽¹⁾ and Chairman of six subsidiary companies of Sembcorp Industries Ltd</p> <p>⁽¹⁾With effect from 12 December 2019, Sembcorp Design and Construction Pte. Ltd. (renamed as CES_SDC Pte. Ltd.) is a wholly-owned subsidiary of the Company.</p>	<p>April 2009 to September 2010: Deputy Managing Director (Research) of Agency for Science, Technology and Research ("A*STAR")</p> <p>February 2010 to September 2010: Executive Director (Science & Engineering Research Council) of A*STAR</p> <p>October 2010 to present: Managing Director of A*STAR</p> <p>January 2010 to present: Professor of Nanyang Technological University ("NTU")</p> <p>July 2012 to present: Chief Executive Officer of National Research Foundation, Prime Minister's Office</p> <p>August 2012 to present: Professor of National University of Singapore ("NUS")</p>	<p>2010: Professor, Lee Kuan Yew School of Public Policy, NUS</p> <p>2011 to 2016: Professor of Business, Nanyang Business School ("NBS"), NTU.</p> <p>2016 to 2017: Dean and Canon Professor of Business at the NBS, NTU</p> <p>2016 to 2019: Canon Endowed Chair Professor of Business and Director of the Asian Business Care Centre at NBS, NTU</p>	<p>May 2003 to April 2018: Minister-in-charge of Muslim Affairs</p> <p>May 2006 to May 2011: Minister, Ministry of Environment and Water Resources</p> <p>May 2006 to April 2011: Member of Parliament ("MP") of Jalan Besar Group Representation Constituency ("GRC")</p> <p>May 2011 to April 2018: Minister of Ministry of Communications and Information</p> <p>May 2011 to August 2015: MP of Moulmein-Kallang GRC</p> <p>September 2015 to present: MP of Jalan Besar GRC</p> <p>July 2018 to present: Advisor of Infocomm Media Development Authority (IMDA) in relation to the Kampong Glam Digitalisation Project</p> <p>August 2018 to present: Professor of Engineering, Singapore Institute of Technology ("SIT"), Singapore</p> <p>August 2018 to present: Advisor to the President of SIT, Singapore</p> <p>October 2018 to present: Board of Trustees of Building Construction and Timber Industries Employees' Union (BATU)</p> <p>January 2019 to present: Director of Surbana Jurong Private Limited</p>

CORPORATE GOVERNANCE REPORT

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Shareholding interest in the listed issuer and its subsidiaries	<p>(i) 14,406,250 ordinary shares (direct interest)</p> <p>(ii) 12,127,500 ordinary shares (deemed interest) held by his spouse, Mdm. Lim Sock Joo</p> <p>(iii) 45,000,000 options (which can be exercised into 45,000,000 ordinary shares)</p> <p>(iv) S\$2,000,000⁽¹⁾ 4.75% fixed rate notes due 14 June 2021, issued pursuant to the Company's Multicurrency Debt Issuance Programme established on 18 October 2013 (the "Debt Issuance Programme")</p> <p>(v) S\$3,000,000⁽¹⁾ 4.90% fixed rate notes due 19 May 2022, issued pursuant to the Debt Issuance Programme</p> <p>(vi) S\$1,000,000⁽²⁾ 6.00% fixed rate notes due 15 March 2022, issued pursuant to the Debt Issuance Programme</p> <p>⁽¹⁾ held jointly with spouse ⁽²⁾ deemed interest in the notes held by spouse</p>	Nil	20,000 ordinary shares (held jointly with spouse)	Nil	Nil	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	Spouse of Mdm. Lim Sock Joo, an Executive Director of CEL Development Pte. Ltd., a wholly-owned subsidiary of the Company	Nil	Nil	Nil	Nil	Nil

CORPORATE GOVERNANCE REPORT

Name of person	Raymond Chia ("Mr. Chia")	Abdul Jabbar ("Mr. Jabbar")	Yam Ah Mee ("Mr. Yam")	Low Teck Seng ("Prof. Low")	Neo Boon Siong ("Dr. Neo")	Yaacob Bin Ibrahim ("Prof. Yaacob")
Conflict of interest (including any competing business)	<p>Mr. Chia currently holds an effective shareholding interest of 40% in LGB Corporation Pte. Ltd., which, together with its subsidiaries ("LGB Group") is also in the property development business.</p> <p>As announced previously, the Company allows Mr. Chia to remain as a passive shareholder of LGB Corporation Pte. Ltd. on the basis that the LGB Group will not engage in any further property development projects, save for one project in Adelaide, Australia.</p> <p>The Board is of the opinion that allowing Mr. Chia to remain as a passive shareholder of LGB Corporation Pte. Ltd. will not compete with the businesses of the Group, nor will it impede Mr. Chia in carrying out his duties and responsibility as an Executive Director and the Group CEO of the Company.</p>	Nil	Nil	Nil	Nil	Nil
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	Yes	Yes
Other Principal Commitments* and Directorship	Please refer to the key information of the Directors set out on pages 55 to 59 of this Annual Report.					

The Company confirms that there is no change in the declaration items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual concerning the Directors to be re-elected.

**The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.*

CORPORATE GOVERNANCE REPORT

Provision 4.4 - Review of Directors' independence

The NC determines the independence of each Director annually. For the purpose of determining Directors' independence, every Director has provided declaration of his independence based on the Revised Definition on Director's Independence, which is deliberated upon by the NC and the Board.

All Independent Directors have also confirmed their independence in accordance with the Revised Definition on Director's Independence for FY2019 or during their appointment as Independent Directors.

The Board reviews and determines whether each Director is independent, taking into account the views of the NC and any existence of relationship or circumstances, including those identified in the Code and the SGX-ST Listing Manual, that are relevant in its determination as to whether a Director is independent.

The NC also assessed and concluded that Mr. Abdul Jabbar, who is a partner of Rajah and Tann Singapore LLP ("**Rajah & Tann**"), is independent notwithstanding the relationship between the Company and Rajah & Tann which provides corporate secretarial services on a retainer basis and certain legal services to the Group. The total fees, including ad-hoc services, for FY2019 payable by the Group to Rajah & Tann did not exceed S\$200,000.

After taking into account the views of the NC, the Board considers that all the Independent Directors of the Company are independent in character and judgement and that there are no relationships or circumstances which are likely to affect or could appear to affect the Directors' judgement.

Each of the Independent Director had recused themselves from the NC's and Board's deliberations on their own independence.

The Board also recognises that Independent Directors may over time develop significant insights in the Group's businesses and operations, and continue to provide significant and valuable contributions objectively to the Board as a whole. The Board will conduct a rigorous review of each Independent Director's continuing contribution and independence and may exercise its discretion to extend the tenures of these Directors. Presently, Mr. Ang Mong Seng has served as an Independent Director of the Company for a period exceeding nine years from the date of his first appointment. The Board has subjected his independence to a particularly rigorous review. The NC had reviewed his declaration of independence, a review questionnaire to which Mr. Ang had provided his responses and contributions to the Board to determine if he remains independent and is able to carry out his duties objectively, taking into account the need for progressive refreshing of the Board.

In NC's view, Mr. Ang Mong Seng is independent in character and judgement despite having been on the Board for more than nine years. In addition, Mr. Ang Mong Seng has regularly expressed his individual viewpoints, debated issues and objectively scrutinised and challenged Management. He has also, on various occasions, taken the initiative to seek clarification and amplification as he deemed required, including through direct access to the Group's employees. The Board concurred with the NC's view. It had also observed the performance of Mr. Ang Mong Seng at Board meetings and other occasions and has no reasons to doubt his independence in the course of discharging his duties.

Further, having gained in-depth understanding of the business and operating environment of the Group, Mr. Ang Mong Seng provides the Company with much needed experience and knowledge of the industries in which the Group operates. Based on the declaration of independence and rigorous review questionnaire received from Mr. Ang Mong Seng, he has no association with Management that could compromise his independence. After considering all these factors, the Board (with Mr. Ang Mong Seng abstaining from voting in respect of his own nomination) has determined that Mr. Ang Mong Seng continues to be considered independent, notwithstanding that he has served on the Board for more than nine years from the date of his first appointment.

CORPORATE GOVERNANCE REPORT

Provision 4.5 - Directors' time commitments and multiple Directorships

The NC determines annually whether a Director with multiple board representations and/or other principal commitments is able to and has been adequately carrying out his/her duties as a Director of the Company. Each Director is also required to confirm annually to the NC as to whether he has any issue with competing time commitments which may impact his ability to provide sufficient time and attention to his duties as a Director of the Company.

The NC takes into account the results of the assessment of the effectiveness of the individual Director, the Director's annual confirmation and the Directors' actual conduct on the Board, in making this determination.

In respect of FY2019, the NC was of the view that the number of directorships held by each Director were in line with the Company's guideline of a maximum of eight listed company board representations and that each Director has discharged his/her duties adequately.

Key information on the Directors is set out below:

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Celine Tang	Non-Independent and Non-Executive Director and Non-Executive Chairman	11 October 2018	24 April 2019	<ul style="list-style-type: none"> Group Managing Director of Singhaiyi Group Ltd. Non-executive Chairman of OKH Global Ltd. 	None	<ul style="list-style-type: none"> Managing Director of Haiyi Holdings Pte. Ltd. Advisory Committee member of JunYing Secondary School 	N.A.
Raymond Chia	Executive Director and Group Chief Executive Officer	1 February 2016	25 April 2018	None	None	<ul style="list-style-type: none"> Vice-President of The Singapore Scout Association Board member of Ren Ci Hospital 	Retirement by rotation (Regulation 115)
Tan Tee How	Executive Director	2 February 2018	25 April 2018	Independent Director of Hong Leong Finance Limited	None	<ul style="list-style-type: none"> Chairman of the Casino Regulatory Authority of Singapore President of Singapore Scout Association Deputy Chairman of National Healthcare Group 	N.A.

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Yam Ah Mee	Non-Executive and Non-Independent Director	12 December 2019	N.A.	None	None	<ul style="list-style-type: none"> • CEO & Director of Sembcorp Design and Construction Pte. Ltd.⁽¹⁾ • Chairman & Director of Sembcorp Architects & Engineers Pte. Ltd. • CEO & Director of Sembcorp Specialised Construction Pte. Ltd. • Chairman & Director of SDC International Pte Ltd • Chairman & Director SDCI (Bangladesh) Limited • EXCO and Council member of Workplace Safety & Health Council (WSHC) • Chairman of WSHC Construction and Landscape Industry Sector • Member of Mindef External Review Panel for Safety • Vice Chairman of Christian National Evangelistic Commission (CNEC) 	Retirement (Regulation 119)

⁽¹⁾ With effect from 12 December 2019, Sembcorp Design and Construction Pte. Ltd. (renamed as CES_SDC Pte. Ltd.) is a wholly-owned subsidiary of the Company.

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Ang Mong Seng	Lead Independent Director	19 March 2003	24 April 2019	<ul style="list-style-type: none"> Independent Director of Hoe Leong Corporation Ltd. Independent Director of Emerging Town & Cities Singapore Ltd. 	<ul style="list-style-type: none"> Gaylin Holdings Ltd Annaik Ltd 	<ul style="list-style-type: none"> Director of Pei Hwa Foundation Ltd and the Chinese Opera Institute Sole-proprietor of Ang Mong Seng Consultants 	N.A.
Abdul Jabbar	Independent Director	2 February 2018	25 April 2018	Independent Director of Global Investments Limited	None	Executive Committee Partner and Head of Corporate and Transactional Practice, Rajah and Tann Singapore LLP	Retirement by rotation (Regulation 115)
Lock Wai Han	Independent Director	11 October 2018	24 April 2019	<ul style="list-style-type: none"> Executive Director and Chief Executive Officer of OKH Global Ltd. Independent Director of ARA Trust Management (Suntec) Limited 	Secura Group Ltd	<ul style="list-style-type: none"> Director of Singapore Sports School Ltd. Chairman of Media Literacy Council Vice-President of ACS OBA Management Committee 	N.A.

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Low Teck Seng	Independent Director	12 December 2019	N.A.	<ul style="list-style-type: none"> • Independent Director of ExcelPoint Technology Ltd. • Independent Director of ISEC Healthcare Ltd • Independent Director of Ucrest Berhad • Independent Director of Key Asics Berhad 	Singapore Post Limited	<ul style="list-style-type: none"> • Chief Executive Officer of National Research Foundation • Director of NRF Holdings Pte Ltd • Director of Cambridge Centre for Advanced Research in Energy Efficiency in Singapore (Cambridge CARES) • Board member of Singapore-MIT Alliance for Research & Technology Centre • Director of TUM Create Limited • Director of Revantha Technologies Pte Ltd • Advisor to Halza Pte Ltd • Director of DSO National Laboratories • Board member of SGInnovation Board • Professor of NUS • Professor of NTU • Director of IEEE Foundation 	Retirement (Regulation 119)

CORPORATE GOVERNANCE REPORT

Name of Director	Position	Date of first appointment as a Director	Date of last re-election/ re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-election/ re-appointment at the AGM
Neo Boon Siong	Independent Director	12 December 2019	N.A.	None	<ul style="list-style-type: none"> Keppel Telecommunications & Transportation Ltd. K1 Ventures Limited OUE Hospitality Trust 	<ul style="list-style-type: none"> Director of Keppel Telecommunications & Transportations Ltd. Audit Committee member of St Luke's Hospital Human Resource Committee member St Luke's Eldercare Ltd. Chairman of Board of Governors for The Navigators 	Retirement (Regulation 119)
Yaacob Bin Ibrahim	Independent Director	20 February 2020	N.A.	N.A.	N.A.	<ul style="list-style-type: none"> Director of Surbana Jurong Private Limited Board of Trustees of Building Construction and Timber Industries Employees' Union (BATU) Advisor for the Kampong Glam Digitalisation Project of Infocomm Media Development Authority Professor of Engineering, SIT Advisor to President of SIT Member of Parliament for Jalan Besar GRC Non-executive chairman of Rekanext Capital Partners Pte Ltd 	Retirement (Regulation 119)

Note:

The details of Directors' credentials including working experience, academic and professional qualifications, shareholding in the Company and its related corporations and Directorships can be found in the Board of Directors and Directors' Statement sections of the annual report.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 5: BOARD PERFORMANCE

Provisions 5.1 and 5.2 - Assessments of the Board, Board Committees and individual Directors

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and individual Directors on an annual basis.

The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, which allows for comparisons with industry peers and which address how the Board has enhanced long-term shareholders' value. It also considers the Company's share price performance on a quarterly basis.

At the end of each year, each Board member is required to complete a Board assessment form and self-assessment form and submit the completed forms to the chairman of the NC before the NC meeting. Based on the responses, the chairman of the NC will prepare a consolidated report and present the report to the Board at the Board meeting to be held before the AGM. To-date, no external facilitator has been engaged.

The evaluation of individual Directors assesses whether each Director continues to contribute effectively and demonstrates commitment to the role (including commitment of time for Board and Board Committee meetings and duties). The NC takes into account the results of the assessment of the effectiveness of the individual Director, the Director's annual confirmation and actual conduct on the Board, in making this determination.

As Mr Yam Ah Mee, Prof. Low Teck Seng and Dr. Neo Boon Siong were appointed on 12 December 2019, the NC and the Board were of the view that it is not meaningful for them to complete the said assessment in relation to FY2019. It is also not necessary for Prof. Yaacob Bin Ibrahim to complete the assessment in relation to FY2019 as he was appointed in 2020.

The Chairman of the Board would act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors, in consultation with the NC.

Currently, the Board does not assess the performance of the Board Committees separately. However, the assessment of the performance of each Board Committee is incorporated into the Board's performance evaluation, and the Board is satisfied that the responsibilities of the Board Committees are properly outlined and the Board Committees are suitably empowered to discharge their respective responsibilities in an effective and timely fashion. Notwithstanding the foregoing, the Board would be conducting separate assessments of its Board Committees on an annual basis starting from the current financial year ending 2020.

REMUNERATION MATTERS

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Provisions 6.1 and 6.2 - RC's duties and composition

The RC comprises the following three members, all of whom are Independent Directors:

1. Mr. Ang Mong Seng, Lead Independent Director (Chairman)
2. Mr. Abdul Jabbar Bin Karam Din
3. Prof. Low Teck Seng

The RC is responsible for ensuring a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel.

CORPORATE GOVERNANCE REPORT

Provisions 6.3 and 6.4 - Remuneration framework and engagement of remuneration consultants, if any

During FY2019, the RC has met twice and carried out its duties in accordance with its terms of reference, which include reviews and recommendations to the Board for endorsement on the general framework of remuneration for the Board and key management personnel, all matters concerning the remuneration packages of Executive Directors, staff related to Directors as well as other key management personnel. The RC also reviewed the Group's obligations arising in the event of termination of the Executive Directors' and other key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. In addition, the RC implements and administers the Chip Eng Seng Employee Share Option Scheme 2013 ("**ESOS**") and the Chip Eng Seng Performance Share Plan ("**CES Share Plan**").

The RC's recommendations were made in consultation with the Chairman of the Board and none of the members of the RC or any Director is involved in deliberations in respect of any remuneration, compensation, share-based incentives or any form of benefits to be granted to him/her.

For FY2019, there were no termination, retirement and post-employment benefits granted to Directors and key management personnel. The RC did not engage the services of any external remuneration consultant in FY2019. Nevertheless, the RC may seek advice from external remuneration consultants from time to time and where necessary in framing the remuneration policy and determining the level and mix of remuneration for Directors and key management personnel.

Details of the ESOS and CES Share Plan are disclosed in the Directors' Statement in this annual report.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION **PRINCIPLE 8: DISCLOSURE OF REMUNERATION**

Provisions 7.1 to 7.3, and provision 8.3 - Level and mix of remuneration

The level and structure of remuneration of the Board and key management personnel is designed to be appropriate and proportionate to the sustained performance and value creation of the Group, taking into account the strategic objectives of the Group.

Framework for remuneration of Executive Directors and other key management personnel

The Company has a framework of remuneration for the Executive Directors, staff related to Directors and other key management personnel.

The remuneration framework seeks to ensure that the Group is able to attract, motivate and retain employees to deliver long-term shareholder returns taking into consideration risk management principles and standards set out in the Code. The following shows the three main thrusts of the Group's remuneration strategy and how they are implemented within the Group:

Main thrusts	Details
Pay for performance	<ul style="list-style-type: none"> • Instill and drive a pay-for-performance culture • Ensure close linkage between total compensation and annual and long-term business objectives • Calibrate mix of fixed and variable pay to drive sustainable performance that is aligned to Group's values, taking into account qualitative and quantitative factors
Competitive market pay	<ul style="list-style-type: none"> • Benchmarking total compensation against other organisations of similar size and standing in the markets that the Group operates in
Guarding against excessive risk-taking	<ul style="list-style-type: none"> • Focus on achieving risk-adjusted returns that are consistent with prudent risk and capital management as well as emphasis on long-term sustainable outcomes • Design payout structure to align incentive payments with the long-term performance of the Group through deferral and use of contractual provisions for clawback arrangements

CORPORATE GOVERNANCE REPORT

Under this framework, the total remuneration comprises fixed and variable components. The fixed component comprises basic salary, contractual bonus, statutory employer's contributions to the Central Provident Fund and fixed allowances.

In setting remuneration packages, the RC takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel.

Variable component comprises non-contractual bonus and profit sharing that are linked to corporate and individual performance.

The Company also has an ESOS and CES Share Plan, which aim to provide long-term incentives for Directors and key management personnel to encourage loyalty and align the interest of the Directors and key management personnel with those of the shareholders. For details of the ESOS and CES Share Plan, please refer to the Directors' Statement of the annual report.

Use of contractual provisions for Executive Directors and other key management personnel

The service contract with each Executive Director contains a reclamation of incentive component clause to safeguard the Group's interest in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss or fraud by the Executive Directors.

For the existing service contracts with other key management personnel, a similar clause will be incorporated in the next revision of their service contracts, expected to take place in 2020.

Framework for NEDs' fees

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

Having regard to the scope and extent of the responsibilities and obligations of the NEDs, prevailing market conditions, and taking reference from fees against comparable benchmarks, the Board has agreed with the RC's recommendation that the fee structure for NEDs in FY2019 will continue to apply in FY2020 save for revised fee for ARC and addition of fee for newly established IC.

The fees for NEDs comprise a basic retainer fee and additional fees for appointment to 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 shouldered by the relevant chairman.

Each member of the RC will abstain from any resolutions and making any recommendation and/or participating in any deliberations of the RC in respect of his own remuneration.

CORPORATE GOVERNANCE REPORT

The framework for determining NEDs' fees is as follows:

Basic retainer fee	FY2020	FY2019
Chairman of the Board	S\$100,000 per annum	S\$100,000 per annum
Non-Executive Directors	S\$50,000 per annum	S\$50,000 per annum
ARC		
Committee chairman	S\$30,000 per annum	S\$20,000 per annum
Committee member	S\$20,000 per annum	S\$15,000 per annum
IC		
Committee chairman	S\$20,000 per annum	Not applicable
Committee member	S\$10,000 per annum	Not applicable
NC or RC		
Committee chairman	S\$10,000 per annum	S\$10,000 per annum
Committee member	S\$5,000 per annum	S\$5,000 per annum

The Directors' fees payable to NEDs are recommended by the RC, submitted to the Board for endorsement and thereafter subject to shareholders' approval at the Company's upcoming AGM.

Provision 8.1 (a) - Directors' remuneration/fees and remuneration of the Group CEO

A summary of the remuneration of each Director and the Group CEO which is paid or payable by the Company for FY2019 is set out below:

Remuneration band and name of Director / CEO	Base salary⁽¹⁾	Variable payment⁽²⁾	Other Benefits⁽³⁾	Fees⁽⁴⁾	Total
Above S\$1,000,000					
Raymond Chia ⁽⁵⁾	35%	64%	1%	-	100%
Tan Tee How	50%	49%	1%	-	100%
Below S\$200,000					
Celine Tang	-	-	-	100%	100%
Yam Ah Mee ⁽⁶⁾	-	-	-	100%	100%
Ang Mong Seng	-	-	-	100%	100%
Abdul Jabbar	-	-	-	100%	100%
Lock Wai Han	-	-	-	100%	100%
Low Teck Seng ⁽⁷⁾	-	-	-	100%	100%
Neo Boon Siong ⁽⁸⁾	-	-	-	100%	100%
Ung Gim Sei ⁽⁹⁾	-	-	-	100%	100%
Lui Tuck Yew ⁽¹⁰⁾	-	-	-	100%	100%

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Base salary includes contractual bonus and employer's Central Provident Fund contributions.
- (2) Variable payment includes performance bonus, profit sharing, share options and employer's Central Provident Fund contribution with respect to that payment.
- (3) Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.
- (4) Approved by shareholders as a lump sum at the AGM held on 24 April 2019.
- (5) Mr. Raymond Chia is both an Executive Director and the Group CEO.
- (6) Mr. Yam Ah Mee was appointed as Non-Executive and Non-Independent Director of the Company on 12 December 2019. For FY2019, besides Director's fees, Mr. Yam also received consultancy fee pursuant to a contract for services entered into between Mr. Yam and CES_SDC Pte. Ltd., a wholly-owned subsidiary of the Company. Please refer to the section below on Principle 10 Audit and Risk Committee-IPTs for more details.
- (7) Prof. Low Teck Seng was appointed as an Independent Director of the Company on 12 December 2019.
- (8) Dr. Neo Boon Siong was appointed as an Independent Director of the Company on 12 December 2019.
- (9) Mr. Ung Gim Sei retired as an Independent Director at the AGM of the Company held on 24 April 2019.
- (10) Mr. Lui Tuck Yew resigned as an Independent Director of the Company on 31 October 2019.

To protect the interests of the Group, the remuneration of Mr. Raymond Chia and Mr. Tan Tee How is not disclosed in dollar terms and is instead disclosed in band with no upper limit in view of the sensitive and confidential nature of such information. The Company operates in a highly competitive environment where poaching of employees by competitors is fairly common.

As such, the Board believes that such disclosure would pose as a disadvantage to the Group. The total remuneration of the Directors (including Directors' fees) is set out in the financial statements on page 168 of the Annual Report.

Despite having varied from provision 8.1(a) of the Code, the Board believes that consistent with the intent of principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Saved as disclosed in this report, the remuneration of NEDs comprises only Directors' fees. The framework for determining the Directors' fees is disclosed in the earlier paragraph (Remuneration of NEDs).

Provision 8.1 (b) - Remuneration of top five key management personnel

In the interest of maintaining good morale and a strong spirit of teamwork within the Group, the Company has weighed the advantages and disadvantages of the disclosure relating to the individual and aggregate remuneration of the Group's top five key management personnel (who are not Directors or the CEO) for FY2019 and believe that such disclosure may be prejudicial to its business interest given the highly competitive environment it is operating in. The remuneration package of the top five key management personnel (who are not Directors of the Company or the CEO), comprising mainly salaries and bonuses, aggregated to a total remuneration of S\$3,268,000 for FY2019. Their profiles are found on pages 30 and 31 of the annual report.

Despite having varied from provision 8.1(b) of the Code, the Board believes that consistent with the intent of principle 8 of the Code, sufficient information has been disclosed for shareholders' understanding with respect to the Group's remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

CORPORATE GOVERNANCE REPORT

Provision 8.2 - Disclosure on remuneration of employees who are substantial shareholders, immediate family members of a Director, the CEO or a substantial shareholder of the Company, whose remuneration exceeds S\$100,000

	Relationship with Director/CEO/ Substantial Shareholder	Base salary ⁽¹⁾	Variable payment ⁽²⁾	Allowances and other benefits ⁽³⁾	Total
\$300,000 to \$400,000					
Lim Sock Joo	Spouse of Raymond Chia ⁽⁴⁾	78%	18%	4%	100%

Notes:

- ⁽¹⁾ Base salary includes contractual bonus and employer's Central Provident Fund contributions.
- ⁽²⁾ Variable payment includes performance bonus, profit sharing and employer's Central Provident Fund contribution with respect to that payment.
- ⁽³⁾ Other benefits refer to benefits-in-kind such as car benefits made available as appropriate.
- ⁽⁴⁾ Mr. Raymond Chia is an Executive Director and the Group CEO of the Company.

ACCOUNTABILITY AND AUDIT

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

Provision 9.1 - Maintenance of a sound risk management system and internal controls

The Board, with support from the ARC, is responsible for the governance of risks by ensuring that Management maintains a sound risk management system and internal controls to safeguard the interests of the Group and that of the Company's stakeholders.

The Board has overall responsibility for governance risk and exercises oversight of the material risks in the businesses conducted by the Group. The ARC is responsible for making the necessary recommendations to the Board such that an opinion regarding the adequacy and effectiveness of the risk management and internal control systems of the Group can be made by the Board in the annual report of the Company according to requirements in the SGX-ST Listing Manual and the Code.

To strengthen its internal audit function, the Company has in FY2019 appointed KPMG Services Pte. Ltd. ("**KPMG**" or "**Internal Auditors**") to provide internal audit services. On an annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the ARC and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, compliance and information technology risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the ARC and significant findings are discussed at the ARC meetings. The Group's internal audit function follows up on all recommendations to ensure timely remedy of audit issues and reports the status to the ARC every quarter.

CORPORATE GOVERNANCE REPORT

Provision 9.2 - Written assurance regarding (i) financial records and financial statements and (ii) adequacy and effectiveness of the Group's risk management and internal control systems

The Board has written received assurance from the Group CEO and the CFO that as at 31 December 2019:-

- (a) nothing has come to their attention which would render the financial statements to be false or misleading in any material aspects;
- (b) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances;
- (c) the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems ("**Internal Control and Risk Management Systems**") are adequate and effective in addressing the material risks in the Group's current business environment; and
- (d) there are no known significant deficiencies or lapses in the Internal Control and Risk Management Systems which could adversely affect the Group's ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Internal Control and Risk Management Systems.

The Board has also received written assurance from other key management personnel having authority and responsibility for planning, directing and controlling the activities of the Group that:

- (a) the Internal Control and Risk Management Systems are adequate and effective in addressing the material risks in the Group's current business environment; and
- (b) there are no known significant deficiencies or lapses in the Internal Control and Risk Management Systems which could adversely affect the Group's ability to record, process, summarise or report financial data, or any fraud that involves Management or other employees who have a significant role in the Internal Control and Risk Management Systems.

Rule 1207(10) of the SGX-ST Listing Manual

Based on the reviews conducted by Management and KPMG throughout the financial year, the statutory audit conducted by the external auditor, as well as the assurances pursuant to provision 9.2 of the Code received from (i) the Group CEO and the CFO and (ii) other key management personnel, the Board, with the concurrence of the ARC, is of opinion that the Internal Control and Risk Management Systems were adequate and effective for FY2019.

The Board notes that the Internal Control and Risk Management Systems currently in place provide reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen. Furthermore, the Board also acknowledges 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 errors, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 10: AUDIT AND RISK COMMITTEE

Provisions 10.1 to 10.3 and 10.5 - Duties and composition of the ARC

The Audit Committee is renamed as "Audit and Risk Committee" with effect from 20 February 2020.

The ARC comprises the following four members, all of whom are Independent Directors:

1. Dr. Neo Boon Siong (Chairman)
2. Mr. Abdul Jabbar Bin Karam Din
3. Mr. Lock Wai Han
4. Prof. Yaacob Bin Ibrahim

The Board is of the view that the members of the ARC have recent and relevant accounting or related financial management expertise or experience to discharge the ARC's functions. None of the ARC members is a former partner or director of the Company's existing auditing firm or auditing corporation within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation, and in any case, for as long as they have any financial interest in the Company's existing auditing firm or auditing corporation.

The terms of reference of the ARC include the following:

- reviewing the significant financial reporting issues and judgements to ensure the integrity of the financial statements of the Group and any formal announcement relating to the Group's financial performance before their submission to the Board;
- reviewing and reporting to the Board at least annually on the adequacy and effectiveness of the Internal Control and Risk Management Systems;
- reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and the results of the internal audit procedures;
- reviewing the scope and results of the external audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditors;
- making recommendations to the Board on proposals to the shareholders on the appointment, re-appointment and removal of the external auditors and the remuneration and terms of engagement of the external auditors; and
- reviewing IPTs in accordance with the requirements of the SGX-ST Listing Manual.

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

CORPORATE GOVERNANCE REPORT

Summary of the ARC's activities in FY2019

The ARC met four times during FY2019. The CFO, the Joint Company Secretaries, Internal Auditors and Ernst & Young LLP ("**External Auditors**") were invited to these meetings. Other members of Management were also invited to attend as appropriate to present reports.

During FY2019, the ARC met with the External Auditors and Internal Auditors separately, without the presence of Management. These meetings provide a discrete forum for the External Auditors and Internal Auditors to raise issues encountered in the course of their work directly to the ARC.

The principal activities of the ARC during FY2019 are summarised below:

- a. reviewed the quarterly and full year financial statements and engaged Management, the CFO and the External Auditors in discussions on the significant accounting policies, judgement and estimate applied by Management in preparing these financial statements; and recommended to the Board for approval of the financial statements on satisfaction with its review;
- b. reviewed all announcements relating to the Group's financial performance; and recommended to the Board for approval of these announcements on satisfaction with its review;
- c. reviewed the audit plan and audit report of the Internal Auditors and External Auditors and assessed the adequacy of the Internal Control and Risk Management Systems as well as the level of the co-operation given by Management to the Internal Auditors and External Auditors;
- d. recommended to the Board for re-appointment of Ernst & Young LLP as the External Auditors for the ensuing year;
- e. undertook a review of the independence and objectivity of the External Auditors through discussions with the External Auditors as well as reviewing the non-audit fees awarded to them. The ARC received a yearly report setting out the non-audit services provided by the External Auditors and the fees charged in connection therewith. An analysis of fees paid in respect of audit and non-audit services provided is disclosed in Note 8 to the financial statements;
- f. reviewed the nature and extent of non-audit services provided by the External Auditors;
- g. reviewed the reports and findings from the Internal Auditors in respect of the adequacy of the Internal Control and Risk Management Systems;
- h. reviewed the Group's IPTs to ensure that the transactions were carried out on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders. The ARC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPTs are effective; and
- i. reviewed the adequacy of the Group's whistle blowing policy.

Following its review of the nature and extent of non-audit services provided by the External Auditors, the ARC was satisfied that the nature and extent of such services would not affect the independence of the External Auditors.

Certain of the Company's subsidiaries and significant associated companies have a different set of auditors from that of the Company for varying reasons, for instance, efficiency and cost effectiveness in retaining the existing auditors after the acquisition of such subsidiary or significant associated company. In any case, Management would have assessed the suitability and competency of the existing auditors of such subsidiaries and significant associated companies. The ARC having reviewed Management's assessment, is therefore satisfied that these appointments would not compromise the standard and effectiveness of the Company's audit. Accordingly, the Group is in compliance with Rules 712 and Rule 715 (read with Rule 716) of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE REPORT

IPTs

The Company has procedures governing all IPTs to ensure that they are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The following are IPTs with Directors and relatives of Directors in FY2019:

Name of interested person	Nature of Relationship	Aggregate value of all IPTs conducted during the financial year (excluding transactions below \$100,000) (\$'000)
<i>Interest paid for term notes held⁽¹⁾</i>		
Celine Tang	Non-Executive and Non-Independent Director and Non-Executive Chairman	1,162
Raymond Chia and Lim Sock Joo ⁽²⁾	Executive Director and Group CEO	290

Note:

- (1) The term notes were issued pursuant to the Company's Multicurrency Debt Issuance Programme which allows either the Company or its wholly-owned subsidiary, CES Treasury Pte. Ltd., to issue notes thereunder.
- (2) held jointly. Mdm. Lim Sock Joo is the spouse of Mr. Raymond Chia.

Each of Mr. Tan Tee How (the Company's Executive Director), Mr. Ang Mong Seng (the Company's Lead Independent Director) and Mr. Lui Tuck Yew (the Company's Independent Director who resigned with effect from 31 October 2019) received interest payments in FY2019 for term notes held by them, which term notes were issued pursuant to the Company's Multicurrency Debt Issuance Programme. The interest payments received by Mr. Tan Tee How, Mr. Ang Mong Seng and Mr. Lui Tuck Yew in FY2019 is less than S\$100,000 in each case.

As announced by the Company on 12 December 2019, Mr Yam Ah Mee (the Company's Non-Executive and Non-Independent Director) will provide certain management and supervisory services to CES_SDC Pte. Ltd. (which is a wholly-owned subsidiary of the Company with effect from 12 December 2019 and formerly known as Sembcorp Design and Construction Pte. Ltd.) pursuant to a contract for services. While the contract for services constitutes an IPT for the purposes of Chapter 9 of the SGX-Listing Manual, the amount of consultancy fees paid to Mr Yam Ah Mee under such contract in FY2019 is less than S\$100,000.

The Company does not have a general shareholders' mandate for IPTs pursuant to Rule 920 of the SGX-ST Listing Manual.

Whistle blowing

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

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach towards fraud and other misconduct. The Group will treat all information received with utmost confidentiality and protect the identity and the interests of any whistle blower. Anonymous disclosures will be accepted and anonymity honoured. Reports of suspected fraud, corruption, dishonest practices or other forms of misconduct can be lodged by contacting any one of the members of a reporting committee comprising the Executive Directors, the Group CEO, the chairman of the ARC, the CFO and the Chief Human Resources Officer.

All cases will be investigated with objectivity and appropriate remedial measures will be taken where warranted. All whistle blowing matters are reviewed monthly by the chairman of the ARC and quarterly by the members of the ARC. Matters requiring immediate or urgent attention are reported immediately to the chairman of the ARC.

The policy is communicated via the Staff Handbook. On an ongoing basis, the whistle blowing policy is covered during staff training and periodic communication to all staff as part of the Group's efforts to promote awareness of fraud control.

CORPORATE GOVERNANCE REPORT

Provision 10.4 - Internal Audit Rule 1207(10C) of the SGX-ST Listing Manual

The internal audit function is outsourced to KPMG which is staffed by qualified personnel. The ARC approves the hiring, removal, evaluation and compensation of the auditing firm to which the internal audit function is outsourced.

The Internal Auditors are guided by the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Internal Auditors report to the chairman of the ARC and have unrestricted access to the ARC. The Internal Auditors also have unfettered access to all the Group's documents, records, properties and personnel.

The ARC will review the findings of the Internal Auditors and will ensure that the Group follows up on the Internal Auditors' recommendations. The ARC will review the adequacy of the internal audit function annually to ensure that the internal audit function is adequately resourced and able to perform its function effectively and objectively.

For FY2019, the ARC is satisfied that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND ENGAGEMENT

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Board ensures that all the Company's shareholders are treated equitably for them to exercise their shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance position and prospects.

Provisions 11.1 to 11.5 - Participation and voting at general meetings of shareholders

General meetings are the principal forum for dialogue with shareholders. The Company ensures that shareholders have the opportunity to participate effectively and vote at general meetings of shareholders and informs shareholders of the rules, including voting procedures, governing such meetings. The Board believes that general meetings serve as an opportune forum for shareholders to meet the Board and key management personnel and to interact with them as well as for the Company to solicit and understand the views of shareholders. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET.

Every matter requiring shareholders' approval is proposed as a separate resolution. It does not "bundle" resolutions, unless the resolutions are interdependent and linked as to form one significant proposal. Where the resolutions are "bundled", the Company will explain the reasons and material implications.

All resolutions are put to the vote by electronic poll voting. Voting by poll allows for an equitable and transparent voting process. Shareholders will be better able to demonstrate their concerns in a manner more accurately reflective of their shareholdings. Independent scrutineers are appointed to conduct the voting process. The independent scrutineer briefs the shareholders on the e-polling voting process and verify and tabulate votes after each resolution. The results of the voting at the general meetings showing the number of votes cast for and against each resolution and the respective percentages are shown to the shareholders at the end of each resolution before the chairman of the meeting makes a declaration on the passing (or not) of the resolution. In addition, the voting results at the general meetings and the name of the independent scrutineer will be announced via SGXNET immediately after each general meeting.

The Company's Constitution permits shareholders to participate at a general meeting by telephone or video conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear and, if applicable, see each other and such participation shall constitute presence in person at such meeting and members (or their proxy or in the case of a corporation, their respective corporate representatives) so participating shall be counted in the quorum for the meeting. However, in practice, as the authentication of shareholder identity and other related security and integrity issues remain a concern, the Company has yet to implement such absentia voting at its general meetings.

CORPORATE GOVERNANCE REPORT

Nonetheless, shareholders may vote in person by way of proxy forms deposited, in person or by mail, at the office address of the Share Registrar at least 72 hours before the meetings. Registered corporate shareholders or nominee companies, who are unable to attend a meeting are provided with the option to appoint not more than two proxies to attend and vote at such meeting. This allows shareholders who hold shares through such corporation to attend and participate in general meetings as proxies.

All the Directors attended the AGM in relation to FY2018 together with the External Auditors and key management personnel to address any relevant queries raised by shareholders. Independent scrutineers were also present at the AGM in relation to FY2018 to review the voting process and address shareholders' queries on the voting procedures.

The Chairman of the Board and the respective chairman of the ARC, the NC and the RC are usually present and available at general meetings to address shareholders' queries. Appropriate key management personnel are also present at such meetings to address operational questions from shareholders. In addition, in the case of annual general meetings, the External Auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. The Directors' attendance at the general meetings of the Company held in 2019 is disclosed under provision 1.5 above.

The Joint Company Secretaries prepare minutes of general meetings, which record substantial comments and queries from shareholders relating to the agenda of such meetings. The Company currently does not publish its minutes of general meetings on its corporate website. However, the minutes are available to shareholders upon request.

Provision 11.6 - Dividend policy

The Group's dividend policy is to declare and pay an annual dividend, should the circumstances permit. In the event that the Board decides not to declare or recommend a dividend, the Company would disclose the reason(s) for the decision together with the announcement of the financial statements.

For FY2019, the Board has proposed a final dividend of 4.0 Singapore cent per ordinary share, which is subject to approval of the shareholders at the forthcoming AGM.

In considering the level of dividend payments, the Board takes into account various factors including:

- the profitability of the Company;
- the level of the Company's available cash;
- the return on equity and retained earnings; and
- the Group's projected levels of capital expenditure and other investment plans.

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

Provisions 12.1 to 12.3 - Interaction/engagement with shareholders

The Company is committed to providing its investors with a high level of transparency by engaging in regular, effective and fair communication with shareholders. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Manual, the Board's policy is to provide timely information to all shareholders of all major developments that impact the Group via SGXNET.

The Company values dialogue sessions with its shareholders and is committed to hearing shareholders' views and addressing their concerns. During general meetings of the Company, the Board devotes time and attention to address questions from and concerns raised by shareholders and the Directors are generally present for the entire duration of the meetings. The chairman of the meeting will also endeavour to facilitate constructive dialogue between shareholders and the Board. In addition, members of the Board and key management personnel make themselves available to interact with shareholders both before and after general meetings. When necessary and appropriate, Management will also meet up with analysts and fund managers who wish to seek a better understanding of the Group's operations.

CORPORATE GOVERNANCE REPORT

Other than communicating with members of the Board and key management personnel at general meetings, shareholders may also contact the CFO or the Company on any investor relations matters by emailing to ir@chipengseng.com.sg.

MANAGING STAKEHOLDERS RELATIONSHIPS

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

Provisions 13.1 and 13.2 - Identification and engagement with material stakeholder groups, including managing relationships with such groups

The Company believes that forging good relationships with its stakeholders is crucial for the sustainable growth of its business and its key stakeholders include suppliers, customers, employees, authorities, and local communities.

To understand stakeholders' expectations, the Group engages and fosters trusted relationships through listening to their views and responding to their concerns. The frequency of ongoing engagement with various stakeholders depends on mutual needs and expectations.

The key areas of focus in relation to the management of stakeholder relationships are set out in the Company's annual sustainability report.

Provision 13.3 - Corporate website

The Group maintains a current and updated corporate website.

All materials on the Company's financial results, as well as the latest annual report of the Company, are available on the Company's website at www.chipengseng.com.sg. The website also contains various other investor-related information about the Company which serves as an important resource for its shareholders and all other stakeholders.

MATERIAL CONTRACTS

Except as disclosed in Note 28 (Related Party Transactions) of the notes to the financial statements, there were no other material contracts of the Company and its subsidiaries involving the interests of each Director or controlling shareholder, either still subsisting as at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

DEALING IN COMPANY'S SECURITIES

The Company has adopted an internal code on securities trading which sets out the implications of insider trading and provides guidance and internal regulation with regard to dealings in the Company's securities by the Company, its Directors and officers of the Group. These guidelines prohibit dealing in the Company's securities on short-term considerations and while in possession of unpublished material price-sensitive information in relation to such securities, and during the "close period" which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Company's financial year and one month before the date of announcement of the full year financial results, and ending on the date of the announcement of the relevant results.

The Directors and key officers of the Group are notified in advance of the commencement of the "close periods" relating to the dealings in the Company's securities.

In view of the processes in place, in the opinion of the Directors, the Company has complied with Rule 1207(19) of the SGX-ST Listing Manual (Dealings in Securities).

CORPORATE GOVERNANCE REPORT

USE OF PROCEEDS

Set out is a status report as at date of this report on the utilisation of the net proceeds ("**Net Proceeds**") raised from the renounceable underwritten rights issue undertaken by the Company in 2019 of 156,503,515 new ordinary shares in the capital of the Company ("**Rights Shares**") at an issue price of S\$0.63 for each Rights Share, on the basis of one Right Share for every four existing ordinary shares in the capital of the Company ("**Rights Issue**"):

Intended use of Net Proceeds	Original allocation of Net Proceeds (S\$ million)	Actual amount utilised (S\$ million)	Unutilised amount (S\$ million)
To finance the possible expansion of the property development segment of the Group's business in Singapore and overseas	50.0	-	45
To finance the Group's possible strategic investments and/or acquisitions in the education segment of its business, which is in line with the Group's recent diversification into the education sector	20.0	36.9	-
To finance the growth and operations of the hospitality segment of the Group's business	10.0	9.6	-
For general corporate purposes including general and working capital requirements of the Group ⁽¹⁾	16.3	4.8	-

Note:

(1) payment of operating expenses, such as payroll and related expenses

The utilisations set out in the above table are in accordance with the intended use as stated in the offer information statement of the Company dated 23 September 2019 in relation to the Rights Issue and lodged with the Monetary Authority of Singapore on 23 September 2019, except for the increased allocation for the Group's education business segment (the "**Education Business**") in order to capitalise on the expansion and investment opportunities which have presented themselves in the last quarter of 2019. As at the date of this report, a total of approximately S\$36.9 million of Net Proceeds has been applied towards the Education Business, which exceeds the S\$20.0 million of Net Proceeds originally allocated for it. The following amounts were channelled towards the Education Business:

- (i) approximately S\$5.0 million from the S\$50.0 million originally allocated for the property development segment of the Group's business;
- (ii) approximately S\$0.4 million from the S\$10.0 million originally allocated for the hospitality segment of the Group's business; and
- (iii) approximately S\$11.5 million originally allocated for the Group's general corporate purposes.