

# CORPORATE GOVERNANCE

As a leading provider of inspection and testing services, we, at VICOM, realise that a fundamental measure of our success is the shareholder value we create over the long-term.

From the very beginning, our emphasis has been on the long-term and as a result, we may make decisions and weigh trade-offs differently from some other companies. Accordingly, it is important for you, our Shareholder, to understand our fundamental management and decision making approach, so that you may ensure that it is consistent with your own investment philosophy. We will continue to:

- Focus relentlessly on our customers;
- Make sound investment decisions based on long-term value creation, rather than short-term profitability considerations;
- Spend wisely and maintain our lean culture as we understand the importance of continually reinforcing cost-consciousness; and
- Hire and retain versatile and talented employees.

## CORPORATE GOVERNANCE STATEMENT

VICOM Ltd strongly believes that good corporate governance makes good business. To this end, the Group has taken steps to maintain the highest standards of corporate governance, professionalism and integrity, as we build an organisation that our Shareholders, Employees, Business Partners, the Authorities and other Stakeholders can trust and be proud of.

On 2 May 2012, the Monetary Authority of Singapore (MAS) issued the revised Code of Corporate Governance (Code). The revised Code is effective for annual reports with financial years commencing from 1 November 2012. Our commitment to upholding the highest standards of corporate governance is evidenced in our proactive approach in ensuring our adherence to the revised Code before its effective date. We spare no effort in ensuring that they are upheld by each and every one in the Group. We have also adopted a Code of Business Conduct, which sets out the principles and policies upon which our businesses are to be conducted, and implemented a Whistleblowing Policy, which serves to prevent the occurrence of unethical or illegal conduct or behaviour, whilst protecting the whistleblowers from reprisal within the limits of the law.

This report sets out the corporate governance practices that were in place during the year with specific reference to the updated practices following the revisions in the Code. For the financial year 2012, we are pleased to report that the Group complied substantially with the revised key principles and supporting guidelines set out in the Code except where specifically identified and disclosed in this report.

### 1. BOARD MATTERS

In choosing directors, the Group seeks individuals who have very high integrity, business savvy, shareholder orientation and a genuine interest in the Group.

#### The Board's Conduct of Its Affairs

At the helm in the decision making process of the Group is the Board of Directors. The Board is headed by the non-executive Chairman, Mr Lim Jit Poh, and is responsible for:

- (i) Guiding the strategic directions and goals of the Group;
- (ii) Ensuring that appropriate and adequate systems of internal control, risk management processes and financial authority limits are in place;
- (iii) Assessing and approving key business strategies, funding and investment initiatives and other corporate actions including approval of the Group's Annual Budget and Capital Expenditure, and the release of the Group's quarterly and full year financial results; and
- (iv) Monitoring Management performance.

The Board has delegated the day-to-day management of the Group to the Management headed by the Chief Executive Officer (CEO) Mr Sim Wing Yew, while reserving certain strategic issues and policies for its approval.

To assist the Board in the detailed consideration of the various issues at hand and to facilitate decision making, three committees are formed namely, the Audit and Risk

Committee (ARC) previously the Audit Committee (AC), the Nominating Committee (NC) and the Remuneration Committee (RC). Each Committee is governed and regulated by its own terms of reference, which set out the scope of its duties and responsibilities, regulations and procedures governing the manner in which the Committee is to operate and how decisions are to be taken. Ad hoc committees are also formed to look at specific issues from time to time. Considering the importance of risk management to the Group, the AC was renamed the ARC during the financial year to reflect its added scope and responsibility.

At least four scheduled Board Meetings are held every year for the purpose of approving the release of the Group's financial results every quarter and the Group's Annual Budget. The quarterly and full-year Board Meetings are held within 45 days after the end of each quarter and the financial year respectively. The Group's Annual Budget is approved at the Board Meeting convened for the third quarter's results. Ad hoc Board and Committee Meetings are also held from time to time as and when the need arises. Directors, who are unable to attend the Meetings in person, can still participate in the discussions through teleconferencing. Decisions of the Board and Board Committees may also be obtained via circular resolutions. Directors are free to seek clarifications and explanations from Management on the Board papers.

Regular presentations are made by Management to the Board to enable Directors to better familiarise themselves with the Group's businesses.

Directors are also furnished regularly with investor relations reports which summarise the analysts' views and provide updates on investor relations activities, updates on corporate governance practices, and articles relating to changes in laws relevant to the Group's businesses and operating environments.

Directors are free to request for sponsorship from the Company to attend courses to update their knowledge and better equip themselves to discharge their duties as Directors.

The Board periodically reviews the adequacy of the internal controls and financial authority limits to ensure that while there is delegation of authority, there are sufficient checks and balances in place to monitor such delegation.

### **Board Composition and Balance**

There is a strong element of independence in the Board. The Board presently comprises the CEO and seven non-executive Directors. Of the seven non-executive Directors, five of them are considered by the NC to be independent which exceeds the Code's requirement of at least half of the Board of Directors to comprise independent Directors where the Chairman is not an independent Director.

The Directors are individuals with a broad diversity of expertise and experience, both domestically and internationally. For details on the Board, please refer to the profiles of the Directors at the start of this Annual Report.

### **Attendance of Directors at Board and Committee Meetings in 2012**

Name	Board		Audit and Risk Committee		Nominating Committee		Remuneration Committee	
	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
Lim Jit Poh	4	4	-	-	1	1	2	2
Kua Hong Pak	4	4	-	-	1	1*	2	2*
Sim Wing Yew**	4	3	4	3*	-	-	2	1*
Goh Yeow Tin	4	4	4	4	1	1	-	-
Ho Kah Leong	4	4	4	4	-	-	2	2
Ong Teong Wan	4	4	4	4	1	1	-	-
Sim Cheok Lim	4	4	-	-	1	1	2	2
Teo Geok Har, Nancy	4	4	4	4	-	-	2	2

\* Attended meetings by invitation of the Committee

\*\* Mr Sim Wing Yew was appointed Chief Executive Officer and Executive Director of VICOM Ltd on 1 May 2012.

The NC is responsible for assessing the independence of the Directors on an annual basis. Each Director is required to complete a Confirmation of Independence checklist, which is drawn up in accordance with the guidelines provided by the Code, and requires each Director to assess his own independence. The Director is required to declare any circumstances in which he/she may be considered non-independent. The NC will then review the Confirmation of Independence to determine whether a Director is independent. The NC deems a Director who is directly associated with a 10% Shareholder (as defined in the Code) as non-independent. Mr Lim Jit Poh and Mr Kua Hong Pak are deemed as non-independent as they are also Directors of ComfortDelGro Corporation, a 10% Shareholder. Consistent with the revised guidelines in the Code, as the Chairman, Mr Lim Jit Poh, is deemed non-independent, the Board has unanimously appointed Mr Goh Yeow Tin as the Lead Independent Director on 1 January 2013.

As at 31 December 2012, four out of five independent Directors have served on the Board for more than nine years. They are Dr Ho Kah Leong, Mr Ong Teong Wan, Mr Sim Cheok Lim and Ms Teo Geok Har, Nancy. The NC takes the view that a Director's independence cannot be determined solely and arbitrarily on the basis of the length of time. A Director's contribution in terms of experience, expertise, professionalism, integrity, objectivity and independent judgement in engaging and challenging the Management in the best interests of the Company as he/she performs his/her duties in good faith, are more critical measures in ascertaining his/her independence than the number of years served on the Board. Hence, the Board does not impose a limit on the length of service of the independent Directors. However, the Board and the NC will exercise due and careful review, taking into consideration other factors, in assessing the independence of a Director. These factors include, inter alia, if the Director has any interest, business, relationship and/or any other material contractual relationship with the Group which could reasonably be perceived to compromise his/her independence and interfere with the exercise of his/her independent business judgement with a view to the best interests of the Group. After due and careful rigorous review, the Board is of the view that all independent Directors remain independent in their exercise of judgement and objectivity in Board matters.

The Board and its committees provide a diversity of skills and experiences including financial, engineering and business management. Each Director provides a valuable network of industry contacts which are considered essential to the Group.

## Chairman and CEO

The roles of the Chairman and the CEO have been kept separate and distinct. This is a deliberate policy and one that is strictly adhered to. This ensures Management accountability and Board independence. The Chairman is responsible for the effective functioning of the Board, while the CEO is responsible for the operations and management of the Group's various businesses; both in Singapore and abroad. The CEO reports to the Deputy Chairman. The Chairman, Deputy Chairman and the CEO are not related.

The Chairman leads the Board and facilitates effective and comprehensive Board discussions and decision making on strategic issues. The Chairman oversees the translation of the Board's decision into executive action. With the assistance of the Company Secretary, the Chairman ensures the accuracy and timeliness of information flow between the Board and Management, effective shareholder communication and high standards of corporate transparency.

The CEO is given full executive responsibility to ensure the day-to-day running of the Group's businesses and the implementation of the Group's strategies and policies.

## Board Membership and Board Performance

Board renewal is an ongoing process to ensure good governance and to maintain relevance in the changing business environment. The NC is responsible for regularly reviewing the composition of the Board, identifying and proposing suitable candidates for appointment to the Board.

The NC comprises four non-executive Directors, of whom three including the Chairman, are independent. Consistent with the Code, the Lead Independent Director is also the Chairman of the NC who is not associated with a 10% Shareholder. The Company Secretary is the Secretary to the NC.

The Articles of Association of the Company provide that one-third of the Board of Directors, excluding the Managing Director, are subject to retirement and re-election by rotation at every Annual General Meeting (AGM). All Directors are required to retire from office once at least every three years. Re-election is, however not automatic, and all Directors will be assessed by the NC on their past performance and contributions before being recommended for re-election. Newly appointed Directors are also subject to retirement and re-election at the AGM immediately following their appointments. For the forthcoming AGM, Mr Goh Yeow Tin is due for re-election pursuant to Article 95(2) of the Articles of Association, and Mr Lim Jit Poh, Dr Ho Kah Leong, Mr Ong Teong Wan and

Mr Sim Cheok Lim, are due for re-appointment pursuant to Section 153(6) of the Companies Act, Cap. 50. Mr Sim Wing Yew, a newly appointed Director in 2012, is due for retirement and re-election pursuant to Article 96 of the Articles of Association.

From time to time, new Directors may be identified for appointment to the Board after the NC evaluates and assesses their suitability based on their qualifications, working experiences and expertise. Upon appointment as a Director, the Board Chairman will send an official letter of appointment to the Director, which clearly explains his/her role, duties and responsibilities. Management will then conduct a comprehensive orientation programme for the Director, where key aspects of the businesses, including financial and corporate governance policies are discussed. Site visits will also be arranged for new Directors so that they can better familiarise themselves with the Group's operations. When a Director is appointed to a Board Committee, he/she will be provided with its charter.

The NC subscribes to the view that it is important for Directors to devote sufficient time and attention to the affairs of the Group. Consistent with the revised guidelines in the Code, the NC and the Board adopt the following as a proactive step in ensuring that Directors devote sufficient time and attention to the affairs of the Group:

- A Director who is in full time employment should not serve as a director on the board of more than three listed companies;
- A Director who is not in full time employment should not serve as a director on the board of more than six listed companies.

The NC prescribes that Directors who are affected by the revised guidelines on multiple board representations shall be given up to three years to comply. As the number of board representations should not be the only measure of a Director's commitment and ability to contribute effectively, the NC takes the view that if a Director wishes to hold board representations in more than the maximum stated per the guidelines, the request must be made to the Chairman of the Board for approval. As a policy, the Chairman himself should not hold more than six directorships in listed companies.

In assessing a Director's contribution, the NC takes a holistic approach. Focussing solely on Directors' attendance at Board Meetings per se may not be an adequate evaluation of the contribution of Directors. Instead, their abilities to provide valuable insights and strategic networking to enhance the businesses of the Group, availability for guidance and advice outside the

scope of formal Board Meetings and contributions in specialised areas are also factors relevant in assessing the contributions of the Directors.

As a policy, the CEO, being an executive of the Company, besides adhering to the guidelines set on the maximum number of board representations on listed companies, will also have to seek the approval of the Chairman before accepting any directorships of companies not within VICOM and the ComfortDelGro Group. In considering whether or not to grant the approval, the Chairman will consider the time commitment of the CEO, and whether the new external directorships will provide strategic fit and networking to the businesses of the Group. The Chairman will also ensure that the CEO will not accept appointments to the boards of competitors.

The effectiveness of the Board is monitored by the NC annually in terms of overall performance and growth of the Group, thus achieving an adequate return for Shareholders, preventing conflicts of interest and balancing the competing demands of the Group. In evaluating the contributions and performance of each individual Director, factors taken into consideration include attendance at Board Meetings and activities, contributions in specialist areas and maintenance of independence.

In the last quarter of the year, each Director will fill in a Board Performance Evaluation Form, which includes questions on the Board's composition, the Board's contributions, contributions from Committees and conduct of proceedings and whether these enable Directors to discharge their duties effectively. The answers are collated and the findings then presented by the Chairman to the Board during its Meeting.

Consistent with the Code, the Board does not have any alternate Director.

### **Access to Information**

Prior to each Board Meeting and where needed, Management provides Directors with timely, pertinent and complete information. The Board also receives monthly management accounts, and regular investor relations reports covering investor relations activities and updates of analysts' views and comments. This enables the Board to make informed and sound decisions and be kept abreast of key challenges and opportunities, as well as developments for the Group.

The Board has full access to the Senior Management team. The Company Secretary assists in scheduling Board and Committee Meetings and prepares the agenda in consultation with the Chairman and CEO. The Company

Secretary attends the Board and Committee Meetings of the Company and prepares Minutes of Board and Committee proceedings. She also keeps the Directors informed of any significant developments, or events relating to the Group and ensures compliance with all relevant rules and regulations. She assists in professional development and training by regularly disseminating details of suitable training courses and arranging for the Directors to attend such courses when requested.

Should there be a need to obtain independent professional advice on matters relating to the businesses of the Group or issues affecting the duties of the Directors, the Company will arrange for the appointment of the relevant professional advisers at its own cost.

## **2. REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies, Level and Mix of Remuneration and Disclosure of Remuneration**

VICOM recognises the importance of having a committed and talented workforce to manage and grow the businesses in an increasingly competitive environment. The Group therefore places great emphasis on motivating staff through engagement, recognition and a proper alignment of reward to performance. The RC plays a key role in the Group's remuneration policies. Besides providing the Board with an independent assessment and review of Directors' remuneration, it also reviews from time to time the remuneration framework and strategy for executive compensation with the purpose of developing talent and building leadership to ensure the Group's success.

In accordance with the Code, the RC comprises four non-executive Directors, of whom three including the Chairman, are independent. Members of the RC are also independent of Management and free from any business or other relationships, which may materially interfere with the exercise of independent judgment. The Company Secretary is the Secretary to the RC.

The terms of reference of the RC are to:

- (i) Review and recommend to the Board the remuneration framework for compensation to each Director, and ensure that the level of remuneration offered is appropriate to the level of contribution; and
- (ii) Review and approve the remuneration of senior management staff to ensure that the overall remuneration package is attractive to retain and motivate key executives.

In the discharge of its responsibilities, the RC has sought expert advice from an external international human resource consultancy firm.

The remuneration packages of the CEO and executives of the Group comprise fixed and variable components. The variable component in the form of year-end performance bonuses forms a significant proportion of the remuneration packages and is dependent on the profitability of the Group and individual performance. Subject to market conditions and the operating environment, the Group targets a total compensation package with fixed to variable component ratios of 70:30 for rank and file employees, 60:40 for middle management staff and 50:50 for senior management staff. The Group believes that a higher proportion of performance related component will ensure greater alignment of interests of the executives with those of Shareholders. This remuneration framework is based on the findings and recommendations of an international human resource consultancy firm appointed by the ComfortDelGro Group.

The structure for the payment of Directors' fees for non-executive Directors is based on a framework comprising basic fees and additional fees for serving on Board Committees, and also for undertaking additional services for the Group. The fees are subject to the approval of Shareholders at the AGM. The CEO does not receive Director's fees for his Board Directorship with the Company.

The non-executive Directors of the Company are appointed pursuant to, and hold office in accordance with, the Articles of Association. Information on the 2001 VICOM Share Option Scheme can be found on pages 36 and 37 of this Annual Report.

The remuneration of the Directors and the key executives of the Group (who are not Directors) for the Financial Year 2012 can be found on pages 78 and 79 of this Annual Report.

During the Financial Year 2012, no key executive was an immediate family member of any Director of the Group.

### **Procedures Adopted by RC**

In 2012, the RC held two meetings. All decisions by the RC are made by a majority of votes of the RC members who are present and voting. The RC's decisions also exclude the vote, approval or recommendation of any members with a conflict of interest in relation to the subject matter under consideration. The CEO is not present at any RC discussions relating to his own compensation, terms and conditions of service and the review of his performance. He is, however, in attendance

when the compensation and incentive policies of senior management staff are discussed.

### 3. ACCOUNTABILITY AND AUDIT

#### Accountability

The Board has overall accountability to the Shareholders of the Company and ensures that the Group is well managed and guided by strategic objectives. The Group's operating performance and financial results are reported each quarter via SGXNET with an accompanying negative assurance by the Board to confirm that nothing has come to its attention that may render the results false or misleading. The Company believes that prompt and full compliance with statutory reporting requirements is fundamental to maintaining Shareholder confidence and trust.

VICOM has adopted an internal code based on the SGX's guidelines to provide guidance to the Directors and executives of the Group in relation to dealings in the securities of the Company, ComfortDelGro Corporation Limited and SBS Transit Ltd. Directors and executives of the Group are prohibited from dealing in the securities of the Company, ComfortDelGro and/or SBS Transit during the period commencing two weeks before the announcement of the Company's, ComfortDelGro's and/or SBS Transit's first, second and third quarter results, and one month before the announcement of the full-year results, and ending on the date of the announcement of the relevant results. All Directors and executives are notified by letters of the trading blackout periods before the start of the financial year.

All Directors and executives of the Group are also told that they must not deal in (i) the securities of the Company, ComfortDelGro and/or SBS Transit on short-term consideration and/or while in possession of unpublished material price-sensitive information relating to the relevant securities; and (ii) the securities of other listed companies while in possession of unpublished material price-sensitive information relating to those securities.

#### Audit and Risk Committee

During the financial year, the Audit Committee has been renamed the 'Audit and Risk Committee' to reflect its added responsibility for the Group's risk management. This includes oversight of risk identification and reviewing the adequacy of financial, operational, compliance and information technology controls and risk management systems to ensure effectiveness in the management of risks and compliance with internal policies and external regulations. The Company's ARC comprises four non-executive independent Directors. The Board has reviewed and is satisfied that the members of the ARC are appropriately qualified to discharge their responsibilities.

The roles of the ARC include the following:

- (i) Risk identification and reviewing the adequacy and effectiveness of financial, operational, compliance and information technology controls and risk management systems to ensure effectiveness in the management of risks and compliance with internal policies and external regulations;
- (ii) Review the effectiveness of the Group's internal audit function;
- (iii) Review the quarterly and annual financial statements, and also significant accounting and reporting issues and their impact on financial statements so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance and recommend to the Board the acceptance of such financial statements;
- (iv) Review the scope and results of the audits undertaken by the Internal and External Auditors, including non-audit services performed by External Auditors to ensure that there is a balance between maintenance of objectivity and cost effectiveness;
- (v) Review Interested Person transactions;
- (vi) Recommend the appointment, re-appointment or removal of the External Auditors at the AGM and review the fees due to them;
- (vii) Review the audit plans of the Internal and External Auditors; and
- (viii) Review the effectiveness of the Group's Whistleblowing Policy which has been put in place for staff to raise concerns in confidence, about possible improprieties in matters of financial reporting or other matters and thereupon ensure that an independent investigation of such matters and appropriate follow-up actions are taken. The Whistleblowing Policy is described in more detail on page 31 of this Annual Report.

In the performance of its duties, the ARC has explicit authority to investigate the affairs falling within its terms of reference, with full access to and cooperation from Management, discretion to invite any Director to attend its Meetings, and reasonable resources to enable it to discharge its duties properly. The Company Secretary is the Secretary of the ARC.

The ARC also meets with the Internal and External Auditors in the absence of Management. During these meetings, the Auditors may raise issues encountered

in the course of their work directly to the ARC. Prior to the re-appointment of the External Auditors, the ARC assesses their independence based on the guidelines set by the Accounting and Corporate Regulatory Authority. Having satisfied itself that the independence of the External Auditors, Deloitte & Touche LLP, is not impaired by their provision of non-audit services to the Group and that Rules 712, 715 and 716 of the SGX-ST Listing Manual have been complied with, the ARC has recommended to the Board that Deloitte & Touche LLP be nominated for re-appointment as the Group's External Auditors at the next AGM. As a further safeguard of Deloitte & Touche LLP's independence, Deloitte & Touche LLP's partner-in-charge of auditing the Group is changed every five years.

### **Internal Audit**

The internal audit function of the Group is performed by the ComfortDelGro Group Internal Audit Department comprising suitably qualified and experienced staff, and is headed by the Group Internal Audit Officer (GIAO). She reports functionally to the Chairman of the ARC.

The ComfortDelGro Group Internal Audit Department adopts a risk-based approach in its continuous audit work. Based on the audit plan, it provides an independent and objective evaluation of the internal control systems and corporate governance processes of the Group. The audit plan is developed by the ComfortDelGro Group Internal Auditors in consultation with, but independent of the Management, and is subject to the ARC's approval before the start of each financial year. Any material non-compliance or lapses in internal controls are reported to the ARC and the CEO for improvements to be made. The independence of the ComfortDelGro Group Internal Auditors' function is ensured as the ARC meets with the GIAO at least once a year without the presence of Management.

The activities and organisational structure of the ComfortDelGro Group Internal Audit Department are monitored and reviewed by the ARC periodically to ensure that it has the necessary resources to adequately perform its functions, and that there are no unjustified restrictions and limitations placed on the performance of its duties.

The ComfortDelGro Group Internal Audit Department has adopted and met the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

### **Internal Controls and Risk Management**

Risk management is an important and integral part of VICOM's strategic planning and decision making

process. Key risks are identified and presented to the Board annually. Ownership of the risk management process is clearly defined and cascaded to the executive and functional level, with stewardship retained at Senior Management. Plans that are necessary to manage and mitigate the risks are in place and closely monitored. The adequacy of the internal controls in place is also assessed as part of the process. A detailed description of the Group's approach to internal controls and risk management is set out on pages 29 to 31 of this Annual Report.

The Internal and External Auditors conduct reviews in accordance with their audit plans to assess the adequacy of the internal controls that are in place. Any material non-compliance and recommendations for improvements are reported to the ARC. The ARC also reviews the effectiveness of the actions taken by Management on the recommendations made by the Internal and External Auditors. The recommendations are followed up as part of the Group's continuous review of the system of internal controls.

Based on these reviews, the Board is of the view, with the concurrence of the ARC, that there are adequate internal controls in place within the Group to address its financial, operational, compliance and information technology risks and to provide reasonable assurance against material financial misstatements or loss.

## **4. COMMUNICATIONS WITH SHAREHOLDERS**

### **Regular, Effective and Fair Communications with Shareholders**

VICOM is committed to actively engaging our Shareholders and have put in place an investor relations programme to promote regular, effective and fair communications with Shareholders and the investment community. The ComfortDelGro Group Investor Relations (IR) team works with Senior Management to proactively carry out this engagement programme.

The Company notifies the Shareholders in advance of the date of release of its financial results through the Company's regularly updated website at [www.vicom.com.sg](http://www.vicom.com.sg), as well as an SGXNET announcement. Communication with Shareholders is conducted through announcements to the SGX and press releases, media and analyst briefings after the announcement of the full-year results, as well as the posting of announcements and releases on the Company's regularly updated website at [www.vicom.com.sg](http://www.vicom.com.sg). Investors may send in their requests or queries through the feedback channel provided on the website. The ComfortDelGro Group's IR team is accessible throughout

the year to address Shareholders' queries. The contact details of ComfortDelGro Group Investor Relations & Special Projects Officer (GIRSPPO) can be found on the website.

The Company does not participate in selective disclosure in the communication of material information. Communication with the SGX is handled by the Company Secretary, while communication with Shareholders, analysts and fund managers is handled by the ComfortDelGro GIRSPPO. Specific guidelines have been laid down for compliance in respect of all public communication. In addition, the Company has also put in place operational procedures to respond promptly to queries from the SGX on any unusual trading activities in its securities.

### **Greater Shareholders' Participation at AGM**

The Company views the AGM as a good opportunity for investors to meet the Board and senior management staff. Shareholders are informed of Shareholders' Meetings through notices published in the newspapers and reports sent to all Shareholders. All registered Shareholders are invited to attend and participate actively in the AGM and are given the opportunity to seek clarification or question the Group's strategic direction, business, operations, performance and proposed resolutions.

The Chairman of the various Board Committees, as well as the External Auditors are present to address any question or feedback raised by the Shareholders at the AGM, including those pertaining to the proposed resolutions before the resolutions are voted on.

The Board had, since 2008, voluntarily lowered its general authority to issue shares pursuant to Section 161 of the Companies Act, Cap. 50 by reducing the limit for non-pro rata shares issues from 20% to 10% of the issued shares in the capital of the Company. As this general authority to issue shares was a routine resolution, which had been sought by the Company since its incorporation and no issue of shares had as yet been exercised, the Board had, in 2009, decided to remove and stop seeking the general authority to issue shares to address concerns from the Shareholders that if this general authority to share issue were mandated, the Company could subsequently issue shares pursuant to this mandate, which would dilute their shareholding percentages and affect their voting rights.

The Articles of Association of the Company provide for voting in person and by proxy at the AGM of the Company. Each Shareholder is allowed to appoint up to two proxies to vote on his behalf at the Shareholders' Meetings

through proxy forms sent in advance. Investors, who hold shares through nominees such as the Central Provident Fund and custodian banks, are allowed to attend the AGM as observers subject to availability of seats. Each issue or matter requiring Shareholders' approval is tabled as a separate and distinct resolution.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. Beyond complying with the requirements of the Code, the SGX-ST Listing Manual and the Companies Act, the Company has also taken various additional measures to enhance corporate governance and improve transparency, including:

- (i) The Company has taken steps to ensure that its Notice of AGM is issued to Shareholders at least 28 days before the AGM is held – two weeks earlier than is required by the Companies' Act; and
- (ii) The Company sends electronic annual reports (by way of a CD-ROM) to all Shareholders (including foreign Shareholders) at least 21 days before the AGM to ensure that all Shareholders have adequate time to review the annual reports before the AGM. Upon request, hardcopies will also be sent to Shareholders.

### **Voting by Poll**

Voting at general meetings of Shareholders was conducted by show of hands in the past. Consistent with the revised guidelines in the Code, the Company will move from show of hands to voting by poll to have greater transparency in the voting process and allow all Shareholders present or represented at the general meetings to vote on a one share, one vote basis.

Voting by poll at general meetings will be introduced from the 2013 AGM onwards. The Chairman of the meeting will be exercising his right under Article 63(i) of the Articles of Association of the Company to demand a poll in respect of the resolutions to be put to the vote of members at the AGM and at any adjournment thereof. Accordingly, Shareholders will be invited to vote on each of the resolutions by poll. The voting results of all votes cast for, or against, each resolution will be screened at the meeting and announced via the SGXNET after the meeting. Voting by poll is the most accurate means of tabulating Shareholders' votes according to the number of shares owned and its adoption demonstrates the Company's commitment to high standards of corporate governance and transparency.

## 5. ADDITIONAL MEASURES TO ENHANCE CORPORATE GOVERNANCE

The Company has also undertaken various additional measures to enhance corporate governance as follows:

### Corporate Gifts/Entertainment Policy

Whilst business gifts and entertainment are courtesies that build goodwill and sound working relationships among business partners, the Group does not tolerate the improper use of gifts or entertainment to gain any special advantage in a business relationship.

The Group discourages the receipt of gifts or acceptance of entertainment, loans or other favours as these may compromise an employee's ability to make objective, independent and fair business decisions. Offering excessive gifts in whatever form or entertainment to others can also be open to misinterpretation. Employees are therefore not permitted to offer or accept any gifts or entertainment without first seeking their supervisor's authorisation. Where business entertainment is deemed appropriate, they will be moderately scaled to facilitate the achievement of business goals and objectives.

Employees, who receive gifts directly or indirectly in relation to their course of employment with the Group, are expected to notify their supervisors and declare such gifts to the Group Human Resource Department. All gifts declared are processed through structured corporate procedures to ensure proper accountability.

Business gifts and entertainment presented on the Group's behalf are consistent with generally accepted business practices and ethical standards, and do not violate any applicable laws, regulations or policies of any country we operate in or company in which we have dealings with.

### Information Protection Policy

The Group has also implemented an information protection policy to ensure that all documents and data information of the Group are properly safeguarded. Information is classified into secret, confidential, restricted and unrestricted use based on its nature, contents and implications. Processes and systems used to store, process or communicate the information provide protection from unauthorised disclosure and use.

## INTERESTED PERSON TRANSACTIONS

### Listing Manual – Rule 907

Name of Interested Person	Aggregate value of all Interested Person transactions during the financial year under review (excluding transactions less than S\$100,000 and transaction conducted under Shareholders' mandate pursuant to Rule 920)
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ComfortDelGro Corporation Limited and associates	S\$1,665,000
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There is no Shareholders' mandate for Interested Person transactions pursuant to Rule 920 of the Listing Manual.