

Corporate Governance

Board's Conduct of Its Affairs (Principle 1)

The Board's corporate objective is the creation of long term value for shareholders. It strives to achieve this through its commitment to high standards of corporate governance by providing the leadership and guidance to management to develop and drive corporate strategy, business directions, acquisitions and divestments and risk policy for ST Engineering.

There are matters which the Board has reserved for its own decision making. These include major acquisitions and investments, shareholder matters, policies relating to corporate governance, CEO appointment, approval of budgets, board changes and appointments on board committees. Board members receive monthly consolidated management reports on the financial performance of each business sector, capital commitments and significant operational highlights.

Other matters are delegated to Board committees and the Executive Office for review and decision making. The Executive Office comprises the President and CEO; Dy CEO, Electronics and Land Systems/President, International Business; Dy CEO, Aerospace and Marine/President, Defence Business; and CFO.

The Board comprises 11 directors and an alternate director. On appointment, a new director is issued a formal letter of appointment setting out his duties and responsibilities under the various regulations. A new director is also given a briefing by the President and CEO on the strategies and performance of the Company and its key subsidiaries as well as an introduction to the senior management team.

The Board consists of members with established track records in finance, banking, technology, legal and management skills. Each non executive director brings to the Board an independent and objective perspective based on his training and expertise to enable balanced and well considered decisions to be made.

From time to time, the Board is updated on the relevant laws, continuing listing obligations and standards requiring compliance, and their implications for the Group as part of ongoing training for existing directors.

The Board meets at least twice a year and convenes special board meetings where necessary. The Company's Articles of Association allows Board meetings to be conducted by way of teleconference or video conference. The Chairman has a second or casting vote.

The Board is supported in its tasks by Board Committees which have been established to focus on the key areas of corporate governance oversight.

The number of Board and Board Committee meetings held during the year is tabulated below:

TYPE OF MEETING	NO. OF MEETINGS	ATTENDANCE (AVERAGE %)
Board	2	77%
Audit Committee	5	100%
Business Investment and Divestment Committee	2	70%
Executive Resource and Compensation Committee	4	92%
Nominating Committee	1	100%
Senior Human Resource Committee	1	75%
Risk Review Committee	4	85%
Budget and Finance Committee	3	92%
Research, Development and Technology Committee	3	78%

Minutes of the Board Committee meetings are made available to all Board members.

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Independence of the Board (Principles 2 and 3)

The Chairman of the Board is Mr Peter Seah, a non executive director. Mr Seah was appointed to the Board on 15 April 2002 as Chairman. He was re-elected at the 2006 AGM.

As a non executive director, Mr Seah is free from any relationship with the executive management of the Company that could materially interfere with the exercise of his independent judgment. However, as he is a Member of the Temasek Advisory Panel in Temasek Holdings, the Company's major shareholder, he is not considered independent within the definition of the Corporate Governance Code (Code).

The President and CEO is Mr Tan Pheng Hock, who is an executive director. Save for Mr Tan Pheng Hock, our remaining 10 directors are non executive directors. The Nominating Committee (NC) has reviewed the provisions in the Code with regard to relationships and has concluded that five directors are independent. The independent directors are Mr Koh Beng Seng, Mr Venkatachalam Krishnakumar, Dr Philip Pillai, Mr Winston Tan and Mr Lucien Wong. More than one third of the Board is independent as required under the Code.

According to the Corporate Governance Code guidelines, an independent director is one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere with the exercise of the director's independent business judgment. Relationship tests aside, it is the quality of the governance that counts and that distinguishes an independent and effective board. While not all the non executive directors are considered independent based on relationship tests, the Board has, at all times exercised independent judgment in decision making using its collective wisdom and experience to act in the best interests of the Company.

The Board held a total of two meetings during the year, in accordance with its planning cycle, for the approval of the FY2005 results and release of half year results respectively.

Board Committees (Principles 4, 7 and 11)

Supporting the Board are the following Board Committees:

- Audit Committee
- Business Investment and Divestment Committee
- Executive Resource and Compensation Committee
- Nominating Committee
- Budget and Finance Committee
- Research, Development and Technology Committee
- Senior Human Resource Committee
- Risk Review Committee
- Tenders Committee

The composition of the Board Committees is found on the next page.

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BOARD COMPOSITION AND COMMITTEES AS AT 31 DECEMBER 2006

	Audit Committee (estbd on 5/1/1998)	Business Investment and Divestment Committee (estbd on 8/9/1997)	Executive Resource and Compensation Committee (estbd on 6/12/1997)	Nominating Committee (estbd on 4/12/2002)	Budget and Finance Committee (estbd on 5/1/1998)	Research Development and Technology Committee (estbd on 1/8/2003)	Senior Human Resource Committee (estbd on 16/1/1998)	Risk Review Committee (estbd on 7/12/1998)	Tenders Committee (estbd on 5/1/1998)
BOARD MEMBERS									
Mr Peter SEAH Lim Huat		C	C	M			C		
Mr TAN Pheng Hock		M			M	M	M	M	
Mr KOH Beng Seng	C								
Lieutenant-General NG Yat Chung		M					M	M	
Dr TAN Kim Siew					M		M		
Professor LUI Pao Chuen						C			
Mr Winston TAN Tien Hin		M				M		C	
Mr Lucien WONG Yuen Kuai					C			M	
Dr Philip Nalliah PILLAI	M		M	C					
Mr QUEK Poh Huat		M			M				
Mr Venkatachalam KRISHNAKUMAR	M		M	M				M	
Brigadier-General Bernard TAN Kok Kiang ¹									
NON BOARD MEMBER									
Mr CHANG See Hiang								CM	

Rolling list of any three Board Directors

Denotes:

C – Chairman

M – Member

CM – Co-opted Member

¹ Alternate director to Lieutenant-General NG Yat Chung

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Board Selection, Training and Evaluation of Performance (Principles 4 and 5)

The NC is responsible for reviewing the composition of the Board regularly and identifying and selecting suitable candidates to the Board. The Committee also reviews the retirement and re-election of directors.

Dr Philip Pillai is the Chairman of the NC. The other members are Mr Peter Seah and Mr Venkatachalam Krishnakumar. Both Dr Pillai and Mr Krishnakumar are independent non executive directors.

The NC is charged with the responsibility of ensuring that the Company's Board and its subsidiaries comprise individuals who are able to discharge their responsibilities as directors. The NC identifies suitable candidates for appointment to the boards of the Group, in particular, candidates who can value add to the management through their contributions in the relevant strategic business.

The NC has the same members as the Executive Resource & Compensation Committee. This is because both committees share similar objectives of searching for talent and expertise for Board renewal and to strengthen management.

During the year, the NC reviewed and affirmed the independence of the Company's independent directors and reviewed the composition of the Board and the profile of Board members in relation to the needs of the ST Engineering Board. The NC also assessed the current board size and determined that it is adequate for the effective functioning of the Board. The NC also reviewed the directors who were due for retirement and re-election.

At each AGM, one third of the directors with the longest term in office is required to retire and submit themselves for re-election. Mr Koh Beng Seng, LG Ng Yat Chung, Dr Tan Kim Siew and Mr Lucien Wong will retire. LG Ng has confirmed that he will not be seeking re-election. Save for LG Ng, the retiring directors, being eligible, have offered themselves for re-election. The NC has reviewed their contributions and recommended that each of the retiring Directors be re-elected at the Company's forthcoming AGM.

Access to Information (Principle 6)

The Board receives monthly reports providing updates on key operational activities and financial analysis. The Board also has unrestricted access to the President and CEO, the CFO, management and the Company Secretary as well as the internal and external auditors and the risk management team. The Board can also seek independent professional advice if deemed necessary.

Level and Mix of Remuneration

Disclosure on Remuneration (Principles 7, 8 and 9)

The Executive Resource & Compensation Committee (ERCC) performs the role of the Remuneration Committee. The Committee comprises Mr Peter Seah as Chairman, Dr Philip Pillai and Mr Venkatachalam Krishnakumar. The majority of members of the ERCC have held senior positions in large organisations and are experienced in the area of executive remuneration.

All the ERCC members are non executive directors. Apart from Mr Peter Seah, the other members of the ERCC are independent directors.

The ERCC has access to professional advice from appropriate external advisors where necessary. The ERCC may meet with these external advisors without the presence of management. All decisions at any meeting of the ERCC shall be decided by a majority of votes of the ERCC members present and voting (the decision of the ERCC shall at all times exclude the vote, approval or recommendation of any member who has a conflict of interest in the subject matter under consideration).

The ERCC has been authorised by the Board to carry out the following key duties and responsibilities:

- Review and establish executive remuneration policy
- Approve the remuneration package and service terms for senior executives
- Set targets for senior executives and approve equity based incentive share plans and the granting of performance share awards
- Approve non executive director remuneration structure

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The ERCC met four times in 2006. Its key activities were centred on the assessment and development of the management team, target setting, and the determination of their compensation and incentive awards. In determining the overall remuneration package, the ERCC assesses executives' contribution to the Group relative to preset targets, the performance of the Group, and the compensation and employment conditions of various industries.

During the year, the ERCC reviewed and approved the granting of share options. In accordance with the rules of the ST Engineering Share Option Plan (ESOP), share options are priced at market value, on a volume-weighted average for the shares on the Singapore Exchange (SGX) over the three consecutive trading days immediately preceding the date of grant. The computation is referenced against the daily official list of the SGX and verified by Finance. The subscription price of the share options granted cannot be modified

during the term of the options, except for adjustments arising from variations to the share capital, as the ERCC considers appropriate.

As standing procedure, the ERCC, as the Plan Administrator, has determined that share options shall be granted twice a year on fixed dates following the release of the audited FY end results and first half year results, respectively. In the event that any announcement on any matter of an exceptional nature involving price-sensitive information is made, the ESOP rules require that options be granted on or after the fourth market day following release of the announcement.

During the year, the ERCC decided on conditional performance share awards under ST Engineering's approved share plans as well as Economic Value Added-based incentives for senior executives.

The following information relates to remuneration of directors of ST Engineering:

NUMBER OF DIRECTORS IN REMUNERATION BANDS	2006	2005
Remuneration Bands		
\$500,000 and above	1	1
\$250,000 to \$499,999	–	–
Below \$250,000	10	10
Total	11	11

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Summary compensation table for the year ended 31 December 2006 (Group):

NAME OF DIRECTOR	SALARY * \$	BONUS * \$	DIRECTORS' FEES \$	TOTAL \$	STOCK OPTIONS GRANTED IN 2006	EXERCISE PRICE \$	EXERCISABLE PERIOD
Peter Seah Lim Huat	—	—	182,000	182,000	44,500 44,500	3.01 2.84	10.2.2007 to 9.2.2011 11.8.2007 to 10.8.2011
Tan Pheng Hock	1,090,275	1,711,991	#	2,802,266	200,000 200,000	3.01 2.84	10.2.2007 to 9.2.2016 11.8.2007 to 10.8.2016
Koh Beng Seng	—	—	94,000	94,000	27,500 27,500	3.01 2.84	10.2.2007 to 9.2.2011 11.8.2007 to 10.8.2011
LG Ng Yat Chung	—	—	10,000 ⁺	10,000	—	—	—
Dr Tan Kim Siew	—	—	10,000 ⁺	10,000	—	—	—
Professor Lui Pao Chuen	—	—	97,500 [†]	97,500	29,000	3.01	10.2.2007 to 9.2.2011
Winston Tan Tien Hin	—	—	142,000 [†]	142,000	37,000 37,000	3.01 2.84	10.2.2007 to 9.2.2011 11.8.2007 to 10.8.2011
Lucien Wong Yuen Kuai	—	—	86,000	86,000	21,500 21,500	3.01 2.84	10.2.2007 to 9.2.2011 11.8.2007 to 10.8.2011
Dr Philip Nalliah Pillai	—	—	123,000 [†]	123,000	33,000 33,000	3.01 2.84	10.2.2007 to 9.2.2011 11.8.2007 to 10.8.2011
Quek Poh Huat	—	—	128,000 [†]	128,000	33,000 33,000	3.01 2.84	10.2.2007 to 9.2.2011 11.8.2007 to 10.8.2011
Venkatachalam Krishnakumar	—	—	116,000	116,000	25,500 25,500	3.01 2.84	10.2.2007 to 9.2.2011 11.8.2007 to 10.8.2011
BG Bernard Tan Kok Kiang (Alternate to LG Ng Yat Chung)	—	—	—	—	—	—	—
	1,090,275	1,711,991	988,500	3,790,766	873,000		

* The salary and bonus amount shown is inclusive of allowances, CPF and performance shares earned.

+ Fees for public sector Directors are payable to government agencies.

† Includes fees for directorship in subsidiary(ies).

Fees payable to Mr Tan Pheng Hock of \$168,750 includes fees for directorship in subsidiaries and are payable to Singapore Technologies Engineering Ltd.

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Remuneration Data for Year 2006

Remuneration data for employees earning \$100,000 and above per annum (as at 31 Dec 2006).

TOTAL COMPENSATION BANDS (\$)	TOTAL NO. OF EMPLOYEES	TOTAL DOLLAR VALUES (\$)
100,000 to 149,999	843	100,059,481
150,000 to 199,999	252	43,235,882
200,000 to 249,999	81	17,950,249
250,000 to 499,999	91	30,606,716
500,000 to 749,999	10	5,789,157
750,000 to 999,999	5	4,380,433
1,000,000 to 1,249,999	1	1,116,074
1,250,000 to 1,499,999	3	4,086,785
1,500,000 to 1,749,999	1	1,611,420
=> 1,750,000	4	7,934,048
Total	1,291	216,770,245

Note: Total compensation comprises all staff salaries (including CPF for Singapore staff), overtime pay, variable bonuses, special bonuses, annual wage supplement (13th month), dollar contribution by the Group under the Employees' Share Ownership Scheme, benefits-in-kind plus overseas postees' cost of living allowance.

The Board has delegated authority to the ERCC to determine the remuneration of the President and CEO and the senior management. The remuneration package for non executive directors is reviewed by the Board annually and the fees to be paid to Board members are subject to approval at the AGM.

A revised directors' fee policy commensurate with the increased responsibilities of the Board was endorsed by the Board.

The Group has set out a group-wide cross section of executives' remuneration by number of employees from \$100,000 upwards in bands of \$50,000 up to \$250,000.

The Senior Human Resource Committee, chaired by Mr Peter Seah, comprises Mr Tan Pheng Hock, LG Ng Yat Chung and Dr Tan Kim Siew. The Committee reviewed the talent management and leadership development for the organisation and its senior staff. Through its support for and direction of the Group's talent management and leadership initiatives, the Committee has helped to enhance the process of identification and development of talents to be groomed for senior positions. The Committee has also reviewed the succession plans for key positions in the Group. Another significant initiative that has materialised from the Committee's support and direction is the establishment of the inaugural ST Engineering Overseas Scholarship and ST Engineering Scholarship in China.

Accountability (Principle 10)

In September 2006, the SGX introduced a new requirement for directors to issue a Negative Assurance Statement to accompany its interim financial results announcement, confirming that nothing has come to the attention of the Board that may render the interim financial results to be false or misleading. Certain internal procedures have been put in place that enable each member of the Board reviewing the interim financial statements to immediately raise any material information known to him which would impact the accuracy of the statements prior to their release to SGX. Should there be any significant adverse issue(s) raised by the Audit Committee (AC) or Board member which may affect the results in a material way, the scheduled date of the results announcement will be postponed to allow time for investigation or further review.

The re-appointment of auditors is subject to approval at each AGM. In making its recommendations to shareholders on the appointment and re-appointment of auditors, the Board relies on the review and recommendations of the AC.

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During the year, the Board convened an EGM to adopt new Articles of Association updating changes made to the Companies Act (Chapter 50).

Directors and key senior executives of the Group are prohibited from dealing in ST Engineering shares two weeks before the announcement of ST Engineering's first quarter, half year, third quarter and full year results up to the date of the announcement of the results. Additionally, all directors of the Group and its employees are reminded not to trade in situations where the insider trading laws and rules would prohibit trading.

The directors' interests in shares of ST Engineering and its related companies during the year are found on pages 91 to 99 of this Report.

Audit Committee (Principle 11)

The AC is supported in its work by the audit committees of the four main business sectors. The respective chairmen of the audit committees of the four business sectors are invited to attend the AC meetings of ST Engineering so as to have a clear understanding of policies made at the holding company level and to give feedback from the sectors' audit committees.

The AC has full authority to commission and review findings of internal investigations into matters where it is alerted of any suspected fraud or irregularity or failure of internal controls or infringement of any law likely to have a material impact on the listed Group's operating results. It can investigate any matter within its terms of reference and with the full cooperation of management.

During the year, the Board adopted a Whistle Blowing Policy with the objective of providing a process for staff to raise, in confidence and without fear of retaliation, incidents of possible wrongdoing or breach of applicable laws, regulations or policies to the respective chairmen of the audit committees in the Group.

The AC comprises Mr Koh Beng Seng as Chairman, Dr Philip Pillai and Mr Venkatachalam Krishnakumar. All the members of the AC are independent directors. The AC held five meetings during the year, including a January 2006 session with the external and internal auditors, without management, to review the FY2005 results.

During the year, the AC reviewed and recommended to the Board the release of the full year and half year financial statements, and considered and approved the 2006 Audit Plan and the 2006 Internal Audit (IA) Plan. It also reviewed the adequacy of internal control procedures, Interested Person transactions and the issues raised in IA reports with IA being given the authority to rate risk issues according to different risk levels, and to follow up with remedial actions by the management.

During the year, the AC was briefed on the external auditors' appointment of a US coordinating partner to coordinate the audit of the US group of companies with the local office partner who would be overall in charge of both the local and overseas companies' audits.

The AC also focused on the need to bring new acquisitions into alignment with policies in the ST Engineering Group and to integrate practices and activities with the Group post acquisition.

The AC reviewed the level of non audit services performed by its external auditors to satisfy itself that non audit services performed by the auditors did not compromise their independence under regulatory requirements.

Having been delegated authority by the Board, the AC approved the release of the financial results for the first quarter and third quarter of 2006.

In February 2007, the AC reviewed the audit observations on the financial statements for FY2006 audit with the external auditors. The AC also met with the external and internal auditors, without management, to review 2006 results. There were no major issues highlighted and the auditors confirmed that they would provide an unqualified report.

The AC also reviewed the performance of the external auditors. It recommended to the Board the re-appointment of Ernst & Young as auditors for FY2007, after having been satisfied with its standard of audit, independence and objectivity.

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Internal Controls (Principle 12)

Internal Audit (Principle 13)

The AC oversees and appraises the quality of the audit effort of the Company's IA function.

The Board, through the AC, the President and CEO and the CFO, considers that the Group's framework of internal controls and procedures is adequate to provide reasonable assurance of the integrity, confidentiality and availability of critical information, and the effectiveness and efficiency of operations, safeguarding of assets and compliance with applicable rules and regulations. It is also satisfied that problems are identified on a timely basis and there is in place a process for best practices and follow up actions to be taken promptly to minimise unnecessary lapses and for the identification and containment of business risks.

The IA supports the AC in reviewing the adequacy of the Company's internal control system.

Staffed by qualified auditors, IA has unrestricted direct access to the AC. The Head of IA's primary line of reporting is to the Chairman of the AC, although he reports administratively to the CFO of the Company.

IA plans its internal audit schedules in consultation with, but independently of, management and its IA Plan is submitted to the AC for approval at the beginning of each year. The AC also meets with IA at least once a year without the presence of management to gather feedback on management's level of cooperation and other matters that warrant AC's attention. All audit reports are submitted to the AC for deliberation with copies of these reports extended to the relevant senior management, for prompt corrective actions, as recommended. Furthermore, IA's summary of findings, recommendations and updates on management's actions taken are discussed at the quarterly AC meetings. There were no significant control issues highlighted by IA in 2006.

During the year, IA briefed the AC on its plan to carry out surprise audits across the Group. The IA continued with its system of rating a company at the end of an internal audit for the purpose of differentiating the high risk issues which require more serious attention.

As part of the Group's effort to continually improve on its control framework, IA has also introduced a quarterly Control Self Assessment Declaration for all auditable entities to sign off and declare that Management has reviewed and complied with all the requirements and that there are no material matters or issues that have not been highlighted.

On an ongoing basis, IA ensures that good practices are shared within the Group.

Risk Management

The Risk Review Committee, chaired by Mr Winston Tan, comprises LG Ng Yat Chung, Mr Lucien Wong, Mr Venkatachalam Krishnakumar, Mr Tan Pheng Hock and Mr Chang See Hiang, a co-opted member and Board Director of ST Aerospace. The Committee oversees the risk management framework and reviews key risk exposures, including business continuity management.

The Committee met four times during the year to review the key risks and the measures put in place as well as the key risk indicators of each sector. Emerging risk perspectives facing the Group were also discussed.

Budget and Finance

Chaired by Mr Lucien Wong, the Budget and Finance Committee members include Mr Tan Pheng Hock, Mr Quek Poh Huat and Dr Tan Kim Siew.

Budgets prepared by the respective subsidiaries are consolidated at the ST Engineering level and presented to the Budget and Finance Committee for review and recommendation to the Board for approval.

During the year, the Budget and Finance Committee held three meetings to review the FY2006 budget assumptions and forecast. The Committee also met to review the 2007 Plan and recommended to the Board for approval.

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Business Investment and Divestment Committee

The Business Investment and Divestment Committee comprises Mr Peter Seah as Chairman, Mr Tan Pheng Hock, LG Ng Yat Chung, Mr Winston Tan and Mr Quek Poh Huat.

During the year, the Business Investment and Divestment Committee held two meetings to consider major investments by the Group.

Communication with Shareholders (Principle 14)

Greater Shareholder Participation (Principle 15)

The Group has a comprehensive investor programme aimed at providing existing and potential investors with comprehensive and prompt information to enable them to have a better understanding of the Group's businesses, direction and performance. ST Engineering maintains a regularly updated website which provides a chronology of the latest press releases and highlights of corporate events of each of its sectors and their respective capabilities.

In 2006, ST Engineering hosted more than 300 investor meetings, including participation in 11 international investor roadshows and conferences in 25 cities. ST Engineering is committed to timely disclosures to ensure that the investing community receives a balanced and updated view of the Group's performance and businesses.

Board members attended the AGM and EGM in 2006 where shareholders present were given an opportunity to seek clarification or question the Board on issues pertaining to the resolutions proposed before they were voted on. The external auditors were also present at the AGM to assist the directors in answering questions on audit related matters from shareholders. The Group fully supports the Code's principle to encourage active shareholder participation. More on Investor Relations can be found on pages 46 to 49.

Financial and other information are made available on the Company's website at <http://www.stengg.com> and these are regularly updated.

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COMPLIANCE DIRECTORY

CODE PRINCIPLE	REFERENCE PAGES
<p>1 The Board's Conduct of its Affairs Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this and the management remains accountable to the Board.</p>	33
<p>2 Board Composition and Guidance There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.</p>	34 and 35
<p>3 Chairman and Chief Executive Officer There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.</p>	34 and 35
<p>4 Board Membership There should be a formal and transparent process for the appointment of new directors to the Board.</p>	34 and 35
<p>5 Board Performance There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.</p>	36
<p>6 Access to Information In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis.</p>	36
<p>7 Procedures for Developing Remuneration Policies There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.</p>	36

CODE PRINCIPLE	REFERENCE PAGES
<p>8 Level and Mix of Remuneration The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.</p>	36 and 39
<p>9 Disclosure on Remuneration Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.</p>	36 to 39
<p>10 Accountability The Board should present a balanced and understandable assessment of the company's performance, position and prospects.</p>	39 and 40
<p>11 Audit Committee The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.</p>	40
<p>12 Internal Controls The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.</p>	41 and 42
<p>13 Internal Audit The company should establish an internal audit function that is independent of the activities it audits.</p>	41
<p>14 Communication with Shareholders Companies should engage in regular, effective and fair communication with shareholders.</p>	42
<p>15 Communication with Shareholders Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.</p>	42