

Corporate Governance

ST Engineering's framework of corporate governance reflects an institutional mindset of accountability and transparency at all levels of the Group. We believe that good corporate governance is not only the Board's responsibility, but that of the management and every level of the organisation. Good corporate governance is the foundation for long-term value creation of the Group. This Report sets out ST Engineering's corporate governance processes, practices and activities in 2015 with specific reference to the guidelines of the Singapore Code of Corporate Governance 2012 (the Code).

BOARD MATTERS

Board's Conduct of its Affairs (Principle 1)

The Board is accountable to shareholders for overseeing the effective management of the business. To this end, the Board relies on the integrity and due diligence of its senior management and its external advisors and auditors. In addition to its statutory responsibilities, the Board reserves the following key matters for its decision:

- setting the Group's overall long term strategic objectives and ensuring that decisions made are consistent with these objectives;
- approval of annual budgets, major funding proposals, investment and divestment proposals in accordance with the approved delegation of authority framework;
- appointment of the President & CEO, Board succession and appointments on Board committees;
- appointment of key management personnel and succession planning as an ongoing process;
- review of the risk management framework through its Risk Committee as set out in page 105; and
- approval of the unaudited quarterly, half yearly and full year audited results prior to their release.

Besides monitoring the performance of the Group, the Board also provides guidance on sustainability issues such as environmental and social factors, as part of the overall business strategy. Board meetings may include presentations by the managements of its four key subsidiaries to discuss growth strategies relating to their specific business sectors.

In the discharge of its functions, the Board is supported by nine Board committees to which it delegates specific areas of responsibilities for review and decision making, and the Executive Office. The Executive Office comprises the President & CEO, President & CEO (Designate), Deputy CEO and the Chief Financial Officer (CFO). Board members receive monthly consolidated management reports on the financial performance of each business sector, capital commitments and significant operational highlights to keep the Board apprised of business and performance updates in the Group.

A formal letter is sent to a director upon his appointment setting out his duties and responsibilities. A new director is also given a briefing by the President & CEO on the strategic direction and performance of the Company and its key subsidiaries as well as his/her duties and obligations.

Visits to the Group's facilities are also arranged for new directors to enable them to develop a good understanding of the Group's business and operations and the respective key managements. The Board is routinely updated on

the relevant laws, continuing listing obligations and accounting standards requiring compliance, and their implications for the Group, so as to enable each Director to properly discharge his duties as Board and Board committee member.

Depending on their skillsets and background, directors are sponsored for relevant courses, conferences and seminars in order that they can be better equipped to fulfil their governance role and to comply with directors' obligations. Where there are statutory and regulatory changes that affect the obligations of directors, the Company will organise briefings by external legal counsel.

The Board convenes scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly results. Special Board meetings may be convened as and when necessary to consider urgent corporate actions, long term strategies or specific issues of importance.

To facilitate the Board's decision-making process, the Company's Constitution provides for Directors to participate in Board meetings by teleconference or video conference. Decisions of the Board and Board committees may also be obtained via circulation. The Board monitors the performance of the Group through its Board committees. At the end of every Board meeting, the Chairman allocates time for its non-executive Directors to meet without the presence of Management.

The number of Board and Board committee meetings held during the year is tabulated in page 92:

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TYPE OF MEETING	NO. OF MEETINGS	ATTENDANCE AVERAGE [^]
Board	5	83%
Audit Committee	5	95%
Business Investment and Divestment Committee*	-	-
Executive Resource and Compensation Committee	4	100%
Nominating Committee	2	100%
Senior Human Resource Committee	1	100%
Risk Review Committee	5	79%
Budget and Finance Committee	1	67%
Research, Development and Technology Committee	3	89%
Tenders Committee [#]	-	-

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

* The Business Investment and Divestment Committee (BIDC) is given the authority to consider investment/divestment proposals of subsidiaries that exceed the threshold limit of these subsidiaries. Beyond the BIDC's limit, such proposals are directly considered by the Board. During the year, there were no investment/divestment proposals that fell within the remit of the BIDC. Hence no meeting occurred during the year.

Matters of the Tenders Committee during the year were resolved via resolutions in writing.

[^] The computation of average attendance at Board meetings took into account the absence of Mr Tan Pheng Hock, who was on medical leave of absence during part of the 2nd half of 2015. Mr Tan is a member of the Business Investment and Divestment Committee, Senior Human Resource Committee, Risk Review Committee, Budget and Finance Committee as well as Research, Development and Technology Committee.

Board Composition and Guidance (Principle 2)

The Board comprises 15 directors and 2 alternate directors.

The Board, through the Nominating Committee (NC), reviews the size and composition of the Board taking into consideration the need to balance the diversity of skillsets and backgrounds with the independence element. The Board acknowledges the relatively large board size of 15 members. This is transitional due to our board rejuvenation process which is ongoing and the need to pace changes to avoid disruption to the Board and Board committees. Following changes to the Board composition shortly after the April 2016 AGM, the Board will have 14 directors. This is not too large and is mitigated by the global nature of the Group's business and taking into cognizance ST Engineering's key role in supporting Singapore's defence technology ecosystem. The Board will

continue to review its composition and size to facilitate effective decision making.

During the year, the Board welcomed the following 3 new non-executive directors:

- Mr Lim Sim Seng joined the Board as independent non-executive Director on 15 May 2015. He is Country Head, DBS Singapore and Chairman of DBS Vickers Securities Holdings Pte Ltd.
- MG Lim Cheng Yeow Perry was appointed non-independent non-executive Director and member of the Business Investment and Divestment Committee, Senior Human Resource Committee and Risk Review Committee on 20 October 2015. He is the Chief of Defence Force in the Ministry of Defence, Singapore.

- Mr Lim Ah Doo was appointed independent non-executive Director and member of the Audit Committee on 10 November 2015.

In MG Lim's position as Chief of Defence Force, it may be necessary for him to be called away on urgent duty at times and not be able to attend Board meetings. The Board has therefore agreed with MG Lim's request to appoint COL Alan Goh Kim Hua as his Alternate Director. COL Goh was appointed Alternate Director to MG Lim on 20 October 2015. Management ensures that COL Goh is fully apprised of all Board matters, receives notices to attend Board meetings, and receives Board papers in time as well as board resolutions by circulation.

Mr Vincent Chong Sy Feng, who is President & CEO (Designate), was appointed an Alternate Director to Mr Tan Pheng Hock on 1 December 2015. Following the nomination by

Mr Tan and the recommendation of the Nominating Committee, the Board is satisfied that Mr Chong will be able to support Mr Tan effectively at Board discussions. It is intended that Mr Chong will succeed Mr Tan as President & CEO of ST Engineering, and will also be appointed a full fledged Director of ST Engineering when Mr Tan steps down from the Board sometime in 2016.

The Board consists of members with established track record in defence, business, finance, banking, technology, legal and management. Each non-executive director brings to the Board an independent perspective based on his training and expertise to make balanced and well considered decisions.

The Board has eleven, independent directors who represent more than 70% of the Board. The Code requires the independent directors to comprise at least half of the Board. The independence of each director is determined upon appointment and reviewed annually by the NC.

The NC has affirmed that the independent directors are Mr Kwa Chong Seng, Mr Koh Beng Seng, Mr Venkatachalam Krishnakumar, Mr Davinder Singh, Dr Stanley Lai, Mr Khoo Boon Hui, Mr Quek See Tiat, Ms Olivia Lum, Dr Beh Swan Gin, Mr Lim Sim Seng and Mr Lim Ah Doo. The Board agrees with the NC's assessment.

Two of our independent directors, Mr Koh Beng Seng and Mr Venkatachalam Krishnakumar, have each served more than 9 years.

Mr Koh was appointed independent non-executive Director on 15 September 2003.

He has extensive experience in financial services and knowledge of financial regulations which enables him to effectively lead the Audit Committee in providing oversight on internal controls to support the Board. He has also demonstrated independence of character and judgment in his deliberations at the Audit Committee and Board level. The Board has, on the recommendation of the NC, determined that Mr Koh is independent notwithstanding that he has served more than nine years on the Board. As Chairman of the Audit Committee, Mr Koh continues to express his independent and objective views at Audit Committee meetings.

Mr Krishnakumar was appointed independent non-executive Director on 15 April 2002. In keeping with the momentum of our board succession plan, he has indicated that he will step down from the Board shortly following the April 2016 AGM.

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. Any director who has an interest that may conflict with a subject under discussion by the Board either recuses himself from the information flow and discussion of the subject matter or declares his interest and abstains from decision-making.

The Board, through the NC, reviews its size and composition from time to time to ensure it has the right blend and diversity of skills, expertise, experience and perspectives to enable the Board to effectively oversee ST Engineering.

The Board held a total of five meetings during the year to consider, among other things, the approval of the FY2014 results and release of the 1Q2015, 2Q2015 and 3Q2015 results.

The Board reviewed the Group's strategy plans to ensure that the work of the Group is aligned with its charter and corporate objectives taking into account the major challenges in the global environment in which we operate.

Chairman & Chief Executive Officer *(Principle 3)*

The Chairman and President & CEO roles and responsibilities are kept separate in order to maintain effective oversight. No individual or small group of individuals dominates the Board's decision making process. The President & CEO and senior management regularly consult with individual Board members and seek the advice of members of the Board committees through meetings, telephone calls as well as by electronic mail.

The Chairman is responsible for leading the Board and ensuring the effective functioning of the Board to act in the best interests of the Company and its shareholders. The Chairman facilitates the relationship between the Board, President & CEO and management, engaging them in constructive discussions over various matters, including strategic issues, sustainability, risks and business planning processes. He ensures that discussions at the Board level are conducted objectively and professionally where all views are heard and key issues are debated in a fair and open manner. The Chairman also ensures that adequate time is provided for discussion of strategic issues and key concerns at Board meetings. He represents the views of the Board to the shareholders.

Mr Tan who is an executive Director, and the President & CEO, is accountable to the Board for the conduct and performance of the Group. He sits on the boards of its

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key subsidiaries to ensure that decision-making processes and information flows are effectively channelled in a timely manner to ensure alignment with the ST Engineering Group's policies. He has been delegated authority to make decisions within certain financial limits authorised by the Board. He is supported in his work by Mr Chong, President & CEO (Designate) and Mr Lee Fook Sun, Deputy CEO who is concurrently President, Defence Business and President of ST Electronics. Mr Chong was appointed President & CEO (Designate) on 1 October 2015 following Mr Tan's disclosure of his intention to retire in 2016. An extensive search was initiated by the Board to shortlist potential internal and external CEO candidates to undergo a structured selection process. An external consultancy search firm was engaged to assist with the search. The Board is satisfied with the rigour of the CEO search process and Mr Chong as the designated successor to Mr Tan. Mr Tan continues to be supported by the CFO, Ms Eleana Tan Ai Ching and the respective Presidents of the subsidiaries.

Board Membership & Evaluation of Performance (Principles 4 and 5)

Supporting the Board are the following Board committees:

- Nominating Committee
- Audit Committee
- Business Investment and Divestment Committee
- Executive Resource and Compensation Committee
- Budget and Finance Committee
- Research, Development and Technology Committee

- Senior Human Resource Committee
- Risk Review Committee
- Tenders Committee

Nominating Committee

The NC is responsible for reviewing the composition of the Board and identifying and selecting suitable candidates to the Board, in particular, candidates with the appropriate qualifications, skillsets and experience who are able to discharge their responsibilities as directors. Shortlisted candidates are recommended to the Board for approval. The NC is also responsible for reviewing annually and determining the independence of non-executive directors, conducting board performance evaluation, succession planning for CEO and director training and development.

The NC comprises three non-executive independent directors. Mr Venkatachalam Krishnakumar is the Chairman of the NC. The other members are Mr Kwa Chong Seng and Dr Stanley Lai. Following the stepping down of Mr Venkatachalam Krishnakumar, he will be succeeded by Mr Kwa Chong Seng as Chairman of the NC. At the same time, Mr Lim Sim Seng will be appointed a member of the NC.

During the year, the NC was actively engaged in the board renewal process of ST Engineering and its key subsidiaries, having regard to the skills, experience and industry expertise needed for a balanced board composition to, among other things, oversee governance and risks within the Group's business. The NC also reviewed and affirmed the independence of the Company's independent directors.

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board's performance, the adequacy of the blend of skillsets and experience of the Board, and the quality and timeliness of board and committee meeting agendas and papers submitted by the Management. The review was internally undertaken with each Director being asked to complete a questionnaire. Their feedback was collated and shared with the Board. The review indicated that the Board continues to function effectively. The NC also took on board the feedback of the Board members and identified areas for improvement.

The NC has also noted the list of other directorships held by our directors taking into consideration their principal commitments. The NC is satisfied that each of the directors is able to devote time to carry out his duties as director in the Company.

The Board has considered and agreed not to set guidelines for maximum directorships in a listed company that a director can hold. Annually, an incumbent director is asked to affirm that he has adequate time to devote to his Board responsibilities. The ST Engineering Board members are selected on the basis of their ability to contribute to the Board through their relevant skillsets, experience, calibre and willingness to devote time. In addition, each Director is required to provide an annual affirmation of commitment to his Board responsibilities. With these considerations, the Board is of the view that setting a maximum number of board representations on listed companies for our directors is not needed.

The NC is also responsible for renewal and succession plans to ensure Board continuity. At each AGM, one third of the directors with the longest term in office since his last re-election is required to retire. A retiring director may submit himself for re-election. Under this provision, Messrs Kwa Chong Seng, Tan Pheng Hock, Quek Tong Boon and Dr Stanley Lai will retire. Mr Lim Sim Seng, MG Perry Lim

and Mr Lim Ah Doo, who are newly appointed, will hold office until the forthcoming AGM of the Company. The retiring directors, being eligible, have offered themselves for re-election.

Each of the retiring non-executive directors has confirmed that he does not have any relationship with his fellow directors nor with the Company and its substantial shareholders.

The Board, acting on the recommendation of the NC, proposes that each of the retiring Directors be re-elected at the Company's forthcoming AGM.

With the exception of Mr Tan Pheng Hock, the remaining 14 directors are non-executive Directors.

The composition of the Board and Board committees as at 31 December 2015 is tabulated below:

BOARD MEMBER	AUDIT COMMITTEE (ESTABLISHED ON 15/1/1998)	BUSINESS INVESTMENT AND DIVESTMENT COMMITTEE (ESTABLISHED ON 8/9/1997)	EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE (ESTABLISHED ON 6/12/1997)	NOMINATING COMMITTEE (ESTABLISHED ON 4/12/2002)	BUDGET AND FINANCE COMMITTEE (ESTABLISHED ON 5/1/1998)	RESEARCH, DEVELOPMENT AND TECHNOLOGY COMMITTEE (ESTABLISHED ON 1/8/2003)	SENIOR HUMAN RESOURCE COMMITTEE (ESTABLISHED ON 16/1/1998)	RISK REVIEW COMMITTEE (ESTABLISHED ON 7/12/1998)	TENDERS COMMITTEE (ESTABLISHED ON 5/1/1998)
Mr Kwa Chong Seng		C	C	M			C		
Mr Tan Pheng Hock		M			M	M	M	M	
Mr Koh Beng Seng	C								
MG Lim Cheng Yeow Perry*		M					M	M	
Mr Ng Chee Khern					M				
Mr Quek Tong Boon						C			
Mr Venkatchalam Krishnakumar	M		M	C				M	
Mr Davinder Singh					C			M	
Dr Stanley Lai Tze Chang	M		M	M		M			
Mr Khoo Boon Hui								C	
Mr Quek See Tiat	M								
Ms Olivia Lum Ooi Lin								M	
Dr Beh Swan Gin		M			M				
Mr Lim Sim Seng#									
Mr Lim Ah Doo^	M								
COL Alan Goh Kim Hua*									
Mr Vincent Chong Sy Feng-									

Rolling list of any 3 Board Directors

DENOTES:

C - Chairman
M - Member

* Appointed Member on 20 October 2015
Appointed Director on 15 May 2015
^ Appointed Member on 10 November 2015

+ Appointed Alternate director to MG Lim Cheng Yeow Perry on 20 October 2015
- Appointed Alternate director to Mr Tan Pheng Hock on 1 December 2015

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Access to Information

(Principle 6)

The Management furnishes Board members with monthly management reports, providing updates on key operational activities and financial analysis. The Board also has unrestricted access to the President & CEO, President & CEO (Designate), Deputy CEO, the CFO, management and the Company Secretary as well as the internal and external auditors and the risk management team. The Board may also seek independent professional advice, if necessary.

Board papers are sent to directors at least three days prior to meetings in order for directors to be adequately prepared for the meetings.

The Company Secretary attends all Board meetings and ensures that board procedures are followed. The Company Secretary advises the Board on governance matters including their timely disclosure obligations. She also assists with the co-ordination of continuing training for board members to keep the Board up-to-date on corporate governance matters. The appointment and removal of the Company Secretary is a matter for the Board as a whole to decide.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

(Principle 7)

Level and Mix of Remuneration

(Principle 8)

Disclosure on Remuneration

(Principle 9)

ROLE OF EXECUTIVE RESOURCE AND COMPENSATION COMMITTEE

The Executive Resource and Compensation Committee (ERCC) performs the role of the remuneration

committee. The ERCC comprises Mr Kwa Chong Seng as Chairman, Mr Venkatachalam Krishnakumar and Dr Stanley Lai. The members of the ERCC have held senior positions in large organisations and are experienced in the area of executive remuneration policies and trends. All the ERCC members are independent non-executive directors.

The ERCC met four times during the year. All decisions at any meeting of the ERCC are 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 performs the following duties and responsibilities:

Executive Remuneration General Framework

- Reviews and recommends to the Board the Group's general framework for determining executive remuneration including the remuneration of the Chief Executive Officer (CEO), top five key management executives of the Group Companies and other Senior Management Executives (collectively referred to as "Senior Management Executives").

Executive Director and Senior Management Executives

- Reviews and recommends to the Board the entire specific remuneration package and service contract terms for the CEO, who is also the Executive Director.
- Considers, reviews, approves and/or varies (if necessary) the entire specific remuneration packages

and service contract terms for the Senior Management Executives of the Group Companies. For FY2015, the Board reviewed and approved the specific remuneration packages and service contract terms for the key management executives.

Non-executive Director Remuneration

- Reviews and recommends to the Board the remuneration framework (including directors' fees) for Non-executive Directors on the relevant Group Boards.

Equity Based Plans

- Approves the design of equity based plans and reviews and administers such plans.

Executive and Leadership Development

- Oversees the development of management with the aim of a continual build up of talent and renewal of strong and sound leadership to ensure the continued success of the Group and its businesses.
- Approves appointments to Senior Management Executive positions in the Group Companies and reviews succession plans for key positions in the Group Companies.

The Senior Human Resource Committee, chaired by Mr Kwa Chong Seng, comprises MG Perry Lim and Mr Tan Pheng Hock. The Committee reviews the talent management and leadership development initiatives to build a leadership pipeline for the Group.

By supporting and directing 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.

For financial year 2015, Aon Hewitt Singapore Pte Ltd was engaged as remuneration consultant (Remuneration Consultant) to provide professional advice on board and executive remuneration matters. Aon Hewitt Singapore and its principal consultant are independent and are not related to the Group or any of its Directors.

EXECUTIVE REMUNERATION STRUCTURE

Remuneration for the Senior Management Executives comprises a fixed component, variable cash component, share-based component and benefits.

A. Fixed Compensation:

The fixed component comprises the base salary and compulsory employer contribution to an employee's Central Provident Fund (CPF).

B. Variable Cash Compensation:

The variable component includes the Monthly Performance Bonus (which is 1/12 of the 13th month salary), Performance Target Bonus and EVA-based Incentive Scheme.

Performance Target Bonus (PTB)

The PTB is a cash-based incentive for Senior Management Executives which is linked to the achievement of annual performance targets that will vary depending on their job requirements.

Individual performance objectives are set at the beginning of each financial year. The objectives are aligned to the overall strategic, financial and operational goals of the Group and

Company, and are cascaded down to a select group of key executives using scorecards, creating alignment between the performance of the Group, Company and the individual. While the performance objectives are different for each executive, they are assessed on the same principles across the following four broad categories of targets:

- Core Business
- People Development & Teambuilding
- Organisation Development
- Self Development

The individual PTB payouts for the CEO and key management executives are determined by the ERCC based on the Group, Company and individual performance at the end of the financial year. The maximum PTB payout is capped at 4.0 times of monthly base salary.

EVA-based Incentive Scheme (EBIS)

The EBIS is established with the objective of motivating and rewarding employees to create sustainable shareholder value over the medium term achieved by growing profits, deploying capital efficiently and managing the risk profile and risk time horizon of the business. A portion of the annual performance-related bonus of the Senior Management Executives is tied to the EVA achieved by the Group in the financial year.

Under the plan, one-third of the accumulated EVA-based bonus, comprising the EVA declared for the financial year and the balance of such bonus brought forward from preceding years (which comprises multiple years of incentive dollars retained in the EVA bank), is paid out in cash each year. The remaining two-thirds are carried forward in the individual executive's EVA bank.

Amounts in the EVA bank are at risk because negative EVA will result in a clawback of EVA accumulated in previous years. This mechanism encourages the senior management to work for sustained EVA generation and to adopt strategies that are aligned with the long-term interests of the Group.

In addition, the Group has a clawback facility with respect to the EVA bank in the event of a restatement of the financial results of the Group subsequent to an earlier misstatement and provisions for the forfeiture of the remaining EVA bank balance on termination due to misconduct or fraud resulting in any financial loss to the Group.

Based on the ERCC's assessment that the actual performance of the Group in financial year 2015 has partially met the pre-determined targets, the resulting annual EVA declared under EBIS was adjusted accordingly.

C. Share-based Compensation:

Share awards which were granted in financial year 2015 were based on the Singapore Technologies Engineering Performance Share Plan 2010 (PSP2010) and the Singapore Technologies Engineering Restricted Share Plan 2010 (RSP2010) approved and adopted by shareholders of the Company at the Extraordinary General Meeting held on 21 April 2010. Yearly awards under the PSP2010 and RSP2010 do not exceed the internal annual limit of 1% of the total number of issued shares of the Company, set by the ERCC.

Details of the share plans and awards granted are given in the Share Plans section of the Directors' Statement from pages 116 to 119.

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PSP2010

The PSP2010 is established with the objective of motivating Senior Management Executives to strive for sustained growth and performance in the Group.

Pursuant to the PSP2010, the ERCC has decided to grant contingent awards on an annual basis, conditional on meeting targets set for a three-year performance period. With effect from financial year 2010, the performance measures used in PSP grants under PSP2010 are:

- Absolute Total Shareholder Return (TSR) against Cost of Equity hurdles (i.e. measure of absolute Wealth Added); and
- Relative TSR against Defensive Stock Index, the constituents of which are selected “defensive stock” companies that have similar market risk as the Group and are listed on the Singapore Exchange Securities Trading Limited (SGX).

A minimum threshold performance is required for any performance shares to be released to the recipient at the end of the performance period. The actual number of performance shares released will depend on the achievement of set targets over the performance period, capped at 170% of the conditional award.

The final PSP award is conditional on the vesting of the shares under the RSP2010 which have the same performance end period.

The Group has clawback policies for the unvested shares under PSP2010 in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

The Group did not meet the pre-determined target performance level for PSP awards granted based on the performance period from financial year 2013 to 2015.

RSP2010

The RSP2010 is established with the objective of motivating managers and above to strive for sustained long-term growth and superior performance in the Group. It also aims to foster a share ownership culture among employees within the Group and to better align employees' incentives with shareholders' interest.

Pursuant to the RSP2010, the ERCC has decided to grant contingent awards on an annual basis, conditional on targets set for a one-year performance period. The performance measures, set based on the Group corporate objectives, are:

- Group Net Profit; and
- Group EBITDA Margin.

A minimum threshold performance is required for any restricted shares to be released to the recipient at the end of the performance period. The actual number of shares released will depend on the achievement of set targets over the performance period, and will be determined by the ERCC at the end of the performance period, capped at 150% of the conditional award. The shares will be released equally over four consecutive years.

The Group has clawback policies for the unvested shares under RSP2010 in the event of exceptional circumstances of restatement of the financial results of the Group subsequent to an earlier misstatement, or of misconduct or fraud resulting in any financial loss to the Group.

The Group has partially met the pre-determined target performance level for the two RSP awards granted in FY2014 and FY2015. The achievements for both grants are computed based on the performance period from financial year 2014 to 2015 and for financial year 2015 respectively.

D. Market-Related Benefits:

The benefits provided are comparable with local market practices.

The Code requires a company to disclose the names and remuneration of the CEO and at least the top five key management personnel (who are not also directors or the CEO). Details of the remuneration package for the CEO are provided in the Summary Compensation Table for Directors on page 100. Details of the remuneration packages for the key management executives are provided in the Summary Compensation Table for Key Management Executives on page 103.

In performing the duties as required under its Terms of Reference, the ERCC ensures that remuneration paid to the Senior Management Executives is strongly linked to the achievement of business and individual performance targets. The performance targets as determined by the ERCC are set at realistic yet stretched levels each year to motivate a high degree of business performance with emphasis on both short- and long-term quantifiable objectives. A Pay-for-Performance Alignment study was conducted by the Remuneration Consultant and reviewed by the ERCC; it was found that there was sufficient evidence indicating Pay-for-Performance Alignment for the Group in terms of both absolute and relative performance.

Under the Code, the compensation system shall take into account the risk policies of the Group, be symmetric with risk outcomes and be sensitive to the time horizon of risks. The ERCC will undertake periodic reviews of the compensation-related risks.

During financial year 2015, there were no termination, retirement and post-employment benefits granted to Directors, CEO and key management executives other than in accordance with the standard contractual agreement.

There were no employees who were immediate family members of a Director or the CEO, and whose remuneration exceeded S\$50,000, during financial year 2015.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive Directors (NEDs) have remuneration packages consisting of Directors' fees and attendance fees, which are approved in arrears by shareholders for services rendered in the previous year. The Directors' fee policy comprises a basic retainer, attendance and additional fees for serving on Board committees.

For services rendered in financial year 2015, eligible NEDs will receive 70% of the total Directors' fees in cash and 30% of the total Directors' fees in the form of restricted shares which are governed by the terms of RSP2010, subject to shareholders' approval at its AGM in April 2016.

As the restricted shares are awarded in lieu of Directors' compensation in cash, the shares will be awarded outright as fully paid shares with no performance conditions attached and no vesting periods imposed. To encourage the alignment of interests of the NEDs with the interests of shareholders, the share award has a moratorium on selling. Each eligible NED is required to hold shares in the Group worth the lower of: (a) the total number of shares in the Group awarded to such NED as payment of the shares' component of the NEDs' fees for financial year 2011 and onwards; or (b) the number of shares of equivalent value to the prevailing annual basic retainer fee for a Director of the Group. An NED can sell all his shares in the Group a year after the end of his Board tenure.

The computation of NEDs' compensation is based on current fee policy rates.

	FROM PRIVATE SECTOR (\$) 2015
Chairman Fee	600,000
Basic Retainer	
Director	72,000
Additional/Committee Fees	
Audit Committee:	
- Chairman	52,000
- Member	29,000
Executive Resource and Compensation Committee and Risk Review Committee:	
- Chairman	35,000
- Member	18,000
Other Committee:	
- Chairman	29,000
- Member	14,000
Attendance Fees	
Per Board Meeting	2,000
Per Board Committee Meeting	1,000

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The Chairman's fee is a fixed fee covering all Board and Board Committee retainer and meeting attendance. The fee will be paid in a combination of cash (70%) and shares (30%). The share award, as part of the fee, will consist of fully-paid shares with no performance conditions attached and no vesting period

imposed. However, the shares will have to be held for at least two years from the date of award, and the two year moratorium will apply even in the event of retirement.

The NEDs' compensation payable in respect of financial year 2015 is proposed to be S\$1,749,212 (FY 2014:

S\$1,592,830). Details of the Directors' remuneration are provided in the Summary Compensation Table for Directors on pages 100 to 102.

Fees to directors who hold public sector appointments follow the Directorship & Consultancy Appointments Council (DCAC)'s guidelines as set out below.

	FROM PUBLIC SECTOR (\$) 2015
Chairman	45,000
Deputy Chairman/Chairman Executive Committee/Chairman Audit Committee	33,750
Member, Executive Committee/Member, Audit Committee/Chairman of Other Board Committee(s)	22,500
Director/Other Committee Member	11,250

NEDs who hold public sector appointments follow DCAC guidelines and will not be eligible for the shares component of the NEDs' compensation. 100% of their compensation in cash is payable to DCAC, where applicable.

SUMMARY COMPENSATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):

Payable by the Company

EXECUTIVE DIRECTORS	DIRECTORS' TOTAL FEES *5						
	SALARY *1 \$	VARIABLE *2 \$	BENEFITS *3 \$	SHARE-BASED COMPENSATION *4 \$	CASH- BASED \$	SHARE- BASED \$	TOTAL \$
Tan Pheng Hock	1,289,400	1,547,226	159,225	1,531,829	–	–	4,527,680
Vincent Chong Sy Feng (Alternate to Tan Pheng Hock)	513,410	1,173,878	76,605	553,313	–	–	2,317,206
Total	1,802,810	2,721,104	235,830	2,085,142	–	–	6,844,886

SUMMARY COMPENSATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):**Payable by the Company**

NON-EXECUTIVE DIRECTORS	DIRECTORS' TOTAL FEES ^{*5}						
	SALARY ^{*1} \$	VARIABLE ^{*2} \$	BENEFITS ^{*3} \$	SHARE-BASED COMPENSATION ^{*4} \$	CASH- BASED \$	SHARE- BASED \$	TOTAL \$
Kwa Chong Seng	–	–	–	–	420,000	180,000	600,000
Koh Beng Seng	–	–	–	–	95,900	41,100	137,000
Ng Chee Meng	–	–	–	–	14,178 ^{(a)(b)}	–	14,178
MG Lim Cheng Yeow Perry	–	–	–	–	4,500 ^{(a)(c)}	–	4,500
Ng Chee Khern	–	–	–	–	21,250 ^(a)	–	21,250
Quek Tong Boon	–	–	–	–	15,750	–	15,750
Quek Poh Huat	–	–	–	–	32,959 ^(d)	–	32,959
Venkatachalam Krishnakumar	–	–	–	–	201,000	–	201,000
Davinder Singh s/o Amar Singh	–	–	–	–	98,000	42,000	140,000
Dr Stanley Lai Tze Chang	–	–	–	–	123,900	53,100	177,000
Khoo Boon Hui	–	–	–	–	81,128 ^(e)	34,241	115,369
Quek See Tiat	–	–	–	–	81,200	34,800	116,000
Olivia Lum Ooi Lin	–	–	–	–	70,700	30,300	101,000
Dr Beh Swan Gin	–	–	–	–	11,250 ^(a)	–	11,250
Lim Sim Seng	–	–	–	–	33,297 ^(f)	14,270	47,567
Lim Ah Doo	–	–	–	–	10,072 ^(g)	4,317	14,389
COL Alan Goh Kim Hua (Alternate To MG Lim Cheng Yeow Perry)	–	–	–	–	– ^(h)	–	–
Total	–	–	–	–	1,315,084	434,128	1,749,212

Payable by Subsidiaries

EXECUTIVE DIRECTORS	DIRECTORS' TOTAL FEES ^{*5}						
	SALARY ^{*1} \$	VARIABLE ^{*2} \$	BENEFITS ^{*3} \$	SHARE-BASED COMPENSATION ^{*4} \$	CASH- BASED \$	SHARE- BASED \$	TOTAL \$
Tan Pheng Hock	–	–	–	–	251,750 ⁽ⁱ⁾	–	251,750
Vincent Chong Sy Feng (Alternate to Tan Pheng Hock)	–	–	–	–	6,877 ^{(i)(j)}	–	6,877
Total	–	–	–	–	258,627	–	258,627

Corporate Governance

SUMMARY COMPENSATION TABLE FOR DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):

Payable by Subsidiaries

NON-EXECUTIVE DIRECTORS	DIRECTORS' TOTAL FEES ^{*5}						
	SALARY ^{*1} \$	VARIABLE ^{*2} \$	BENEFITS ^{*3} \$	SHARE-BASED COMPENSATION ^{*4} \$	CASH- BASED \$	SHARE- BASED \$	TOTAL \$
Quek Tong Boon	–	–	–	–	12,500	–	12,500
Quek Poh Huat	–	–	–	–	52,500	22,500	75,000
Dr Stanley Lai Tze Chang	–	–	–	–	31,500	13,500	45,000
Dr Beh Swan Gin	–	–	–	–	2,813 ^(a)	–	2,813
Lim Sim Seng	–	–	–	–	3,500	1,500	5,000
COL Alan Goh Kim Hua	–	–	–	–	1,643 ^(a)	–	1,643
Total	–	–	–	–	104,456	37,500	141,956

*1 Salary includes base salary and employer CPF for the financial year ended 31 December 2015.

*2 Variable includes Monthly Performance Bonus (which is 1/12 of the 13th month salary or AWS paid over 12 months), Performance Target Bonus paid & EVA-based incentive for the financial year ended 31 December 2015.

The EVA-based incentive for the year is added to the balance brought forward in each of the executive's individual EVA Bank. 1/3 of the total is paid out, with the balance 2/3 carried forward to the next year. A negative EVA-based incentive will result in a clawback of individual EVA Bank.

*3 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

*4 The PSP and RSP Contingent Awards to be granted in 2016 for work done in FY2015 are based on the fair values as determined using the Monte Carlo simulation model.

*5 The directors' cash fees and share awards will only be paid/granted upon approval by the shareholders at the forthcoming AGM of the Group.

(a) Fees for public sector directors are payable to a government agency, the DCAC.

(b) Pro-rated. Ng Chee Meng resigned as Director on 18 August 2015.

(c) Pro-rated. MG Lim Cheng Yeow Perry was appointed Director on 20 October 2015.

(d) Pro-rated. Quek Poh Huat retired as Director on 23 April 2015.

(e) Fees for Mr Khoo Boon Hui are payable to DCAC and Mr Khoo himself in respect of services rendered for the period from 1 January 2015 to 20 January 2015 and from 21 January 2015 to 31 December 2015 respectively.

(f) Pro-rated. Lim Sim Seng was appointed Director on 15 May 2015.

(g) Pro-rated. Lim Ah Doo was appointed Director on 10 November 2015.

(h) COL Alan Goh Kim Hua was appointed Alternate Director to MG Lim Cheng Yeow Perry on 20 October 2015.

(i) Fees are payable to Singapore Technologies Engineering Ltd.

(j) Pro-rated. Vincent Chong Sy Feng was appointed Alternate Director to Tan Pheng Hock on 1 December 2015.

The following information relates to remuneration of directors of Singapore Technologies Engineering Ltd:

NUMBER OF DIRECTORS IN REMUNERATION BANDS	2015	2014
\$500,000 and above	3	2
\$250,000 to \$499,999	0	0
Below \$250,000	15	12
Total	18	14

SUMMARY COMPENSATION TABLE FOR KEY MANAGEMENT EXECUTIVES FOR THE YEAR ENDED 31 DECEMBER 2015 (GROUP):

REMUNERATION \$	SALARY ^{*1} %	VARIABLE ^{*2} %	BENEFIT ^{*3} %	SHARE-BASED ^{*4} %	TOTAL %
Between \$2,500,000 and \$2,750,000					
Lee Fook Sun	26%	48%	3%	23%	100%
Between \$1,500,000 and \$1,750,000					
Lim Serh Ghee	30%	44%	4%	22%	100%
Ng Sing Chan	34%	37%	5%	24%	100%
Ravinder Singh s/o Harchand Singh	29%	41%	5%	25%	100%
Total for Key Management Executives					\$7,470,625

*1 Salary includes base salary and employer CPF for the financial year ended 31 December 2015.

*2 Variable includes Monthly Performance Bonus (which is 1/12 of the 13th month salary or AWS paid over 12 months), Performance Target Bonus paid & EVA-based incentive for the financial year ended 31 December 2015.

The EVA-based incentive for the year is added to the balance brought forward in each of the executives' individual EVA Bank. 1/3 of the total is paid out, with the balance 2/3 carried forward to the next year. A negative EVA-based incentive will result in a clawback of individual EVA Bank.

*3 Benefits provided for employees are comparable with local market practices. These include medical, dental, insurances, transport, etc.

*4 The PSP and RSP Contingent Awards to be granted in 2016 for work done in FY2015 are based on the fair values as determined using the Monte Carlo simulation model.

ACCOUNTABILITY AND AUDIT**Accountability**
(Principle 10)

The Board is responsible for providing a balanced assessment of the Company's performance, position and prospects. In presenting the annual financial statements and quarterly results announcements to shareholders promptly, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's performance, position, risk review and prospects. The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements, including compliance with the continuing listing obligations under the SGX Listing Manual. As and when new rules and regulations or accounting standards are introduced,

external professionals will be invited to brief our directors.

Directors are required to issue a Negative Assurance Statement to accompany the Company's interim financial results announcement. For this purpose, certain internal procedures have been put in place to enable each member of the Board reviewing the interim financial statements to immediately raise any material information known to him which may render the interim financial results to be false or misleading 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 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. KPMG LLP in Singapore audits Singapore incorporated subsidiaries that are not exempt from audit under the Singapore Companies Act. Subsidiaries incorporated in countries outside Singapore that require an audit in their local jurisdictions are largely audited by other independent member firms of the KPMG network affiliated with KPMG International Cooperative, a Swiss entity. Some of our overseas associates and joint ventures which engage other auditing firms do not constitute a significant number. The names of the auditing firms of our subsidiaries, associates and joint ventures are disclosed at pages 183 and 189 of this Annual Report.

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The Company has complied with Rules 712 and 715 of the SGX Listing Manual in relation to the engagement of its auditors.

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, second quarter, third quarter, and full year results up to the date of the announcement of the results. Directors are discouraged from trading on short term considerations. Additionally, all directors of the Group and 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 109 to 115 of this Annual Report.

Risk Management and Internal Control

(Principle 11)

Internal Audit

(Principle 13)

The AC, with the support of the respective Sectors' Risk and Audit Committees (RACs) oversees and appraises the quality of the IA function. The Board, through the AC, Risk Review Committee (these Committees are deliberately kept separate at the holding level to specifically focus on each important area of responsibility) and the RACs, is responsible for oversight of the risk management responsibilities, internal controls and governance processes delegated to Management.

The IA supports the AC and RACs 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 she reports administratively to the President & CEO of the Company.

IA plans its internal audit schedules in consultation with, but independently of, management. The IA Plan is submitted to the RACs and the AC for approval at the beginning of each year. The RACs and the AC also meet with IA at least once a year (RAC/AC met with IA twice a year) without the presence of management to gather feedback on management's level of cooperation and other matters that warrant the RACs' and the AC's attention. All IA reports are submitted to the RACs and 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 actions taken are discussed at the quarterly RACs and AC meetings.

During the year, a joint Risk Review Committee (RRC) and AC meeting was held in accordance with the respective terms of reference of the committees to facilitate constructive sharing of the common issues that may need to be addressed by both these committees. The joint committees were updated on the risk management process and key risk policy listing.

During the year, IA worked with Management to align companies to the Group's internal control environment and compliance standards in order to strengthen the self-regulating checks and balances. IA also made periodic visits to overseas subsidiaries to review their operations to ensure compliance with the internal controls framework. IA is assisted in its work by an external accounting firm which is not the external auditors of the Company to ensure independence of

the internal audit role. In accordance with its plan, surprise audits were conducted in the course of the year on selected areas including treasury activities. Dormant bank accounts were also reviewed against bank mandates, bank statements, balances, etc. There were no material issues highlighted following the surprise audits.

Control issues are discussed at AC meetings.

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 immediate attention.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the RACs and the AC, is satisfied that the Group's framework of internal controls and procedures as well as risk management systems are adequate as at 31 December 2015; to provide reasonable, but not absolute, assurance of achieving its internal control objectives and addressing financial, operational, compliance and information technology risks.

The Board is satisfied that problems are identified on a timely basis and follow up actions are taken promptly to minimise unnecessary lapses. The Board, through the board committees, is supported in these areas by the Internal Audit and Risk Management teams of the Company. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, fraud or other irregularities.

Risk Review Committee

The RRC, chaired by Mr Khoo Boon Hui, comprises MG Perry Lim, Mr Davinder Singh, Mr Venkatachalam Krishnakumar, Ms Olivia Lum and Mr Tan Pheng Hock. Each RAC oversees the risk and audit aspects at the Sector level.

a) Risk Governance

The RRC assists the Board in its risk governance responsibility. RRC's role is one of oversight of the responsibility delegated to Management to ensure that there is a system of controls in place for identifying and managing risks in order to safeguard stakeholders' interests and the Company's assets.

The RRC is supported by the Group Risk Management Team (GRMT), headed by SVP, Risk Management, working with the Sector Chief Risk Officers from each of the following Sectors:

- 1) Aerospace
- 2) Electronics
- 3) Land Systems
- 4) Marine

The Head of GRMT reports to the Chairman of the RRC and ST Engineering's President & CEO. The GRMT provides leadership in the implementation of a Group-wide Enterprise Risk Management (ERM) framework that allows risks to be identified, assessed, monitored and managed by the business managers.

The respective RACs additionally take on the review of risks and risk management systems and assist in the discharge of the risk oversight responsibilities at the Sector level.

Administratively, the RACs are supported by the GRMT and the Sector Chief Risk Officers. The

GRMT ensures that there is general alignment in the quarterly risk agenda of the RAC meetings to that of the RRC. The annual risk work plan of each sector is also aligned to the Group risk work plan before it is approved by the respective RACs and further endorsed by the RRC.

The RRC reviews the minutes of the RAC meetings which are circulated to all members of the RRC. The RAC Chairman or a member of the RAC is invited to attend the quarterly RRC meetings so as to have a clear understanding of group risk policies and to share any feedback or raise any issue that the RACs may have.

In the respective Terms of Reference of the RRC and AC, the members of the RRC and the AC will come together at least once a year to discuss significant risks and audit issues of the Group.

There is at least a member on the RRC who is also a member of the AC to facilitate communication and access of information between the two committees.

b) Risk Aware Culture and Training

Embedding the right culture throughout the organization is important for effective risk management. The RRC recognises good culture fosters openness that will enable Management and staff to escalate concerns in a timely manner without fear, as well as promote better judgment, which provides greater comfort to the Board and Management.

As part of the risk awareness and communication programme, annual risk management training plans covering various risk topics are developed and implemented by the respective sectors, and the status of the training is updated to the RRC and RAC at periodic intervals.

c) Risk Review Process

Under the ERM framework, a risk dashboard of the top 15 business risks (comprising the key inherent risks that may impact the business objectives) is developed and maintained by each of the significant business units, rolling up into a summary dashboard for each of the four business sectors – Aerospace, Electronics, Land Systems and Marine. Once the top business risks are identified, measures will then be taken to develop and implement risk preventive and mitigation actions (collectively known as "controls") and risk monitoring processes. The business managers are required to periodically review the effectiveness of the controls implemented, and initiate necessary changes as the risk profile changes.

Quarterly, the Presidents and the Sector Chief Risk Officers review, with the RRC and RAC, their respective dashboard of material business risks. At the meetings, the Presidents and Sector Chief Risk Officers would discuss the risk management action plans and measures to address these risks. At the same time, the Presidents and Sector Chief Risk Officers would also highlight the following for discussion:

- 1) emerging trends and issues in each business sector
- 2) new risk or changes to existing risk profile
- 3) new risk incidents
- 4) major risk exposures
- 5) risk management actions taken on previously identified risks

The Committee met five times during the year. It endorsed a new framework on the integration process for newly acquired companies and businesses into the Group with a view to monitoring the risks of these new acquisitions as well as ensuring that these new companies and businesses are adequately integrated

Corporate Governance

into the Group post acquisition. The Committee continues to monitor the implementation of risk management policies and procedures and receives updates to the risk registers maintained by the respective sectors. Major reviews include compliance with major laws and regulations, as well as business disruption risks and their continuity plans.

d) Risk Management Self Assurance Process

The Risk Management Self Assurance is a process whereby the business risk owners, together with the respective control owners, evaluate and assess the operational effectiveness of the controls established to manage the key risks that are reported in Sector Risk Dashboard.

On the basis of this self assessment, annually, the RACs and RRC will receive from the respective Sector Presidents and Sector Group Financial Controllers, written assurances on the adequacy and effectiveness of the system of risk management and controls to manage the significant risks.

For more information on the Company's material long term risks, and risk management framework, please refer to the "Risk Governance" section at page 105 of this Annual Report for more details.

System of Internal Control and Risk Management

The Board receives, at regular intervals, updates from the Board committees on the key business risks, the material controls to manage these risks, and the internal audit reports on the operational effectiveness of the material controls.

The Board has also received assurance from the Group's President & CEO

and CFO on the effectiveness of the Company's risk management and internal control systems, that the financial records have been properly maintained and that the financial statements give a true and fair view of the Company's operations and finances.

The Board is satisfied with the risk management process in place, and, in its opinion, that the effectiveness and adequacy of the material controls to manage the key risks have been appropriately reviewed through the management self assurance process, as well as reasonable independent assurance provided by the Company's IA Function.

Audit Committee (Principle 12)

The AC is supported in its work by the audit committees of the four business sectors. The respective chairmen of the RACs 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 share any feedback or raise any issue that the Sectors' RACs may have. As a guiding principle to provide check and balance, a member of the AC should not also be a member of the Business Investment and Divestment Committee.

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 Group's operating results. It can investigate any matter within its terms of reference and with the full cooperation of management.

The AC's key terms of reference include the following:

- undertaking the statutory and regulatory functions of an AC as are prescribed by law from time to time;
- reviewing the reports of the external and internal auditors to provide a further layer of assurance of the integrity, confidentiality and availability of critical information;
- reviewing interested person transactions;
- evaluating the work of the external auditors to determine their independence and recommending to the Board their re-appointment and compensation on an annual basis; and
- reviewing the level of non-audit services.

The Company has in place a Whistle-Blowing framework, where staff may, in confidence and without fear of retaliation, raise concerns of incidents of possible wrongdoing or breach of applicable laws, regulations or policies to the respective chairmen of the RACs in the Group. In accordance with this framework, a Whistle-Blowing dashboard reporting is presented to the Sectors RAC and the AC at its quarterly meetings. As ST Engineering has become a global company with a presence in many countries, it is aware of the need to apply international corporate governance standards wherever it operates. It takes a serious view of all reports of violations received and may commission investigations as appropriate.

The AC comprises Mr Koh Beng Seng as Chairman, Mr Venkatachalam Krishnakumar, Dr Stanley Lai, Mr Quek See Tiat and Mr Lim Ah Doo. All the members of the AC are independent directors and majority, including the AC Chairman, have the relevant accounting or financial management expertise or experience. Dr Stanley Lai,

a Senior Counsel, does not possess financial expertise, but contributes through his legal expertise to lend a useful professional view to AC discussions. He has attended relevant training on financial governance.

The AC held five meetings during the year. The AC met twice with the external auditors, without management, at the beginning and middle of the year. The AC also met with the RRC to review the significant risks and related key controls.

During the year, the AC reviewed and recommended to the Board the release of the 2014 full year, 1Q2015, 2Q2015 and 3Q2015 financial statements, and considered and approved the 2015 Audit Plan and the 2015 Internal Audit (IA) Plan. In addition, the AC reviewed the adequacy of internal control procedures including IT security issues, Interested Person transactions and the issues raised in IA reports. It also considered the reappointment of the External Auditors as well as their remuneration.

The AC reviewed the level of non audit services performed by its external auditors. For the full year 2015, \$3,988,000 was paid to the external auditors for audit and non audit services of the Group, of which \$1,205,000 or 30% were for non-audit services. The AC was of the opinion that the non audit services performed by the auditors did not compromise their independence.

The AC is routinely updated on the proposed and impending changes in accounting standards and their implications for the Group.

Budget and Finance Committee

Chaired by Mr Davinder Singh, the Budget and Finance Committee members include Dr Beh Swan

Gin, Mr Ng Chee Khern and Mr Tan Pheng Hock. 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 one meeting to review the FY2015 budget assumptions and 5-year forecast and to review the 2016 Plan prior to submission to the Board for approval.

Business Investment and Divestment Committee

The Business Investment and Divestment Committee comprises Mr Kwa Chong Seng as Chairman, MG Perry Lim, Dr Beh Swan Gin and Mr Tan Pheng Hock. The Committee is delegated authority by the Board to consider investments and divestments up to certain threshold values and to ensure that investments/divestments are in line with the Group's strategy.

Tenders Committee

The Tenders Committee comprises a rolling list of any three Directors drawn from the Board, and is delegated authority by the Board to consider tender proposals.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

(Principle 14)

Communication with Shareholders

(Principle 15)

Conduct of Shareholder Meetings

(Principle 16)

The Company enters into regular and timely communication with shareholders as part of the Group's effort to help shareholders better understand its businesses and to

obtain feedback on the views and concerns of shareholders.

To keep the market abreast and updated of the Group's developments, presentation materials on financial results, as well as statutory announcements and marketing news releases are made available on the Company's website at www.stengg.com.

In 2015, ST Engineering's investor relations team held over 200 face-to-face investor meetings and conference calls, as well as participated in investor conferences in Singapore and Kuala Lumpur, Malaysia, as well as held an investor roadshow in select cities of the US and Canada.

ST Engineering is committed to timely and transparent 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 2015 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 Company fully supports the Code's principle to encourage active shareholder participation. For transparency in the voting process, ST Engineering has, since 2010, adopted the use of electronic poll voting for all the resolutions put to vote at its AGM and EGM. This is a fair and transparent way of voting based on the principle of one share one vote. ST Engineering will continue to use electronic poll voting at the forthcoming AGM. More on investor relations can be found on pages 56 and 57.