

# CORPORATE GOVERNANCE REPORT

Yeo Hiap Seng Limited (“**YHS**” or the “**Company**”) is committed to upholding a high standard of corporate governance to promote corporate transparency and enhance long-term shareholder value.

The Board of Directors (“**Board**”) and the management team of the Company (“**Management**”) believe that good corporate governance and best practices in business are essential to the sustainability of the Company and its success over the long-term.

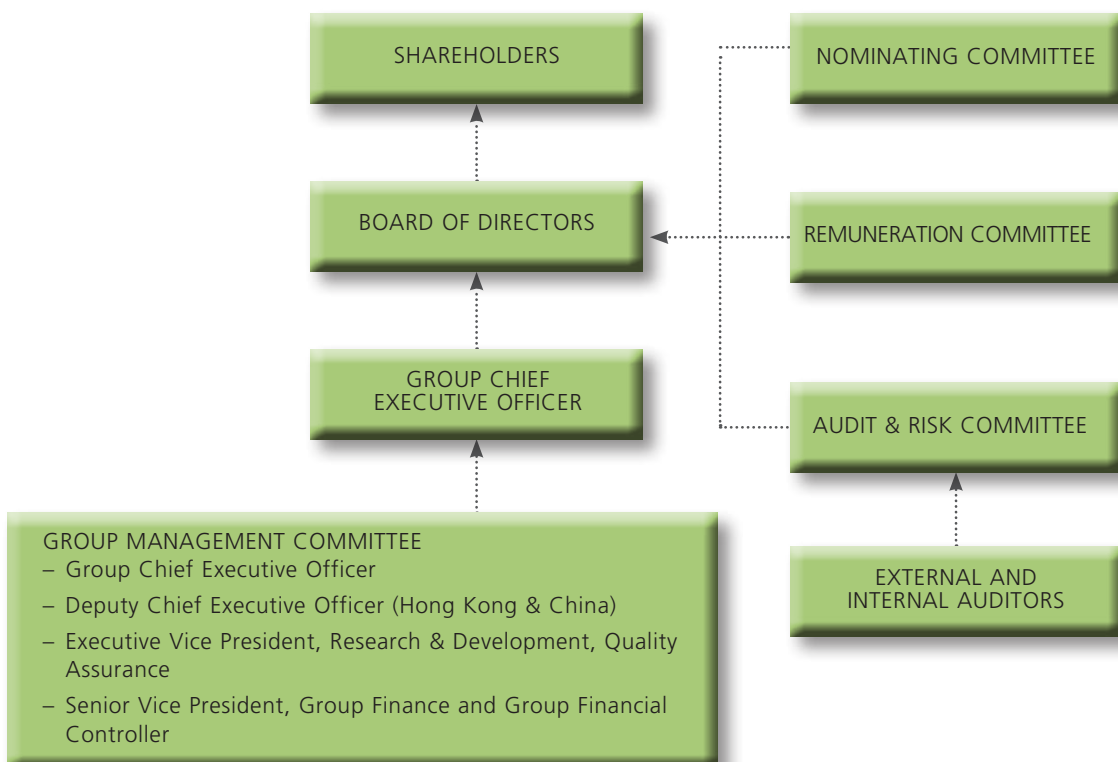
The Board and its committees have established policies and regulations on good governance, and such committees are guided by their respective terms of references (“**Terms of Reference**”).

## COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE 2018

This corporate governance report (“**Report**”) describes the corporate governance practices and activities for the Company and its subsidiaries (the “**Group**”) for the financial year ended 31 December 2019 with specific references to the principles of the Code of Corporate Governance 2018 (the “**2018 Code**”) and any deviation from any provisions of the 2018 Code is explained in this Report. The Board believes that the Group has complied with the principles under the 2018 Code and substantially all the provisions as set out thereunder, save for the following exceptions, deviation from which are explained in this Report:

- (a) Provision 2.4 – the disclosure of the Company’s board diversity policy and progress made towards implementing such policy, including objectives;
- (b) Provision 11.4 – the provision in the Company’s Constitution for absentia voting at general meetings of shareholders;
- (c) Provision 11.5 – the publication of the Company’s minutes of general meetings of shareholders on its corporate website; and
- (d) Provision 11.6 – the provision of a corporate dividend policy.

## CORPORATE GOVERNANCE FRAMEWORK





# CORPORATE GOVERNANCE REPORT

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## BOARD MATTERS

### The Board's Conduct of Affairs

**Principle 1** The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

### Primary functions of the Board

The Board oversees the effectiveness of Management as well as the corporate governance of the Company with the objective of maximising long-term shareholder value, protecting the Company's assets and sustaining its businesses and performance.

The Board subscribes to the principles of having good Board practices and members of integrity. Board members appointed have extensive corporate experience and good track record in the public and/or private sectors.

Apart from its statutory duties, the principal roles of the Board include:

- i. providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- ii. monitoring and approving the Group's broad policies, operational initiatives, annual budget, major investment and funding decisions;
- iii. ensuring the adequacy and effectiveness of internal controls (including financial, operational and compliance) and establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and Group performance;
- iv. approving the appointment of the Chief Executive Officer ("CEO") and Directors, and overseeing the succession planning process;
- v. approving the remuneration for each Director, the CEO and key management personnel;
- vi. reviewing Management performance, setting values and standards, including business ethics and ensuring that obligations to shareholders and other stakeholders are understood and met;
- vii. assuming responsibility for corporate governance and instill an ethical culture and ensure that Group's values, standards, policies and practices are consistent with its culture; and
- viii. assuming responsibility for the Group's sustainability direction.



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## Directors' discharge of duties and responsibilities

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

## Delegation by the Board

The Board is accountable to shareholders while Management is accountable to the Board for its performance. To facilitate effective management, the Board has delegated certain functions which are carried out directly or through committees comprising Board members and senior management staff as well as by delegation of authority to senior management staff in the various companies of the Group.

The Board is supported by its Board committees, namely the Audit & Risk Committee ("**ARC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). The composition of these Board committees is structured to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and foster active participation and contribution. Diversity of experience and appropriate skills are considered along with the need to maintain appropriate checks and balances between the different Board committees. The Board acknowledges that while these various Board committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters still lies with the Board.

Each Board committee is guided by its own specific written Terms of Reference setting out the scope of its duties and responsibilities, procedures governing the manner in which it is to operate and how decisions are to be taken. These Terms of Reference are approved by the Board and reviewed periodically to ensure their continued relevance.

The Group CEO is assisted by the Group Management Committee ("**GMC**") comprising key management personnel to manage the Company's business and operations group wide. The GMC is constituted by a mix of group functional heads and heads of major operating units. This matrix governance ensures that major operational and business decisions are taken with the benefit of collective wisdom and experience. The remuneration of the key management personnel in the GMC is approved by the RC and the Board.

## Meetings of the Board and Board committees and general meetings of shareholders, meetings attendance record and processes

The schedule of meetings of the Board, Board committees and the Annual General Meeting ("**AGM**") for the next calendar year is planned in advance. The Board meets at least four (4) times a year at regular intervals. Telephonic and video conferencing at Board meetings are allowed under the Constitution of the Company ("**Constitution**"). *Ad hoc* meetings of the Board and Board committees may be convened, if warranted by circumstances. The Board and Board committees may also make decisions by way of circulating resolutions in lieu of a meeting.



# CORPORATE GOVERNANCE REPORT

The attendance record of the Directors at meetings of the Board, the ARC, the NC, the RC and the AGM during the financial year is as follows:

	Board	ARC	NC	RC	AGM
<b>Executive Director</b>					
Melvin Teo Tzai Win <sup>1</sup>	4/4	–	–	–	1/1
<b>Non-Executive Directors</b>					
Koh Boon Hwee <sup>2</sup>	4/4	–	–	–	1/1
Ng Win Kong Daryl <sup>3</sup>	3/4	–	–	–	1/1
S. Chandra Das <sup>4</sup>	4/4	4/4	2/2	2/2	1/1
Chin Yoke Choong <sup>5</sup>	4/4	4/4	1/1	–	1/1
Sitoh Yih Pin <sup>6</sup>	1/1	1/1	–	–	–
Dato' Mohamed Nizam bin Abdul Razak <sup>7</sup>	4/4	4/4	1/1	–	1/1
Luo Dan	4/4	–	–	2/2	1/1
Lim Su Lin <sup>8</sup>	2/2	–	1/1	–	–
Goi Lang Ling Laureen <sup>9</sup>	1/1	–	–	1/1	–
Tan Chin Nam <sup>10</sup>	3/3	–	1/1	1/1	1/1
Dato' N. Sadasivan <sup>11</sup>	3/3	3/3	–	–	1/1
Fong Chun Man Kenneth <sup>12</sup>	4/4	–	–	–	1/1

Annotations:

- 1 Retired as Executive Director on 31 December 2019 but remained as Group CEO
- 2 Retired as Chairman of the Board and Non-independent and Non-executive Director on 31 December 2019
- 3 Appointed as Chairman of the Board on 1 January 2020
- 4 Appointed as Chairman of the RC on 1 October 2019 but relinquished the chairmanship on 31 December 2019 while remaining a member of RC
- 5 Relinquished position as NC member on 16 May 2019
- 6 Appointed as Independent and Non-executive Director and ARC member on 1 October 2019. Appointed as RC member on 8 November 2019, and subsequently as RC Chairman from 1 January 2020
- 7 Appointed as NC member on 16 May 2019
- 8 Appointed as Independent and Non-executive Director on 1 May 2019 and appointed as NC member on 16 May 2019
- 9 Appointed as Independent and Non-executive Director and RC member on 1 October 2019
- 10 Relinquished position as NC member on 16 May 2019 and retired as Independent and Non-executive Director and Chairman of RC on 30 September 2019
- 11 Retired as Independent and Non-executive Director and member of ARC on 30 September 2019
- 12 Retired as Non-independent and Non-executive Director on 31 December 2019

## Internal guidelines on matters requiring Board approval

The Company has in place a “**Group Approving Authority**” policy setting out the matters reserved for the Board’s decision and the delegated authority to various levels of Management. Such policy has been communicated to Management and published in the Company’s intranet.

Matters requiring Board approval include budgeted capital expenditure with gross value exceeding S\$20 million, transactions in the ordinary course of business with gross value exceeding S\$5 million and for finance related charges and assets write-off or other transactions not in the ordinary course of business, with gross value exceeding S\$1 million. Other matters, which are specifically referred to the Board for approval, are those involving bank borrowings, provision of corporate guarantees or securities, equity or contractual joint ventures with initial investment value exceeding S\$2 million and diversification into new businesses.



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## **Board induction, orientation and training**

Newly appointed Directors are briefed on the Group's businesses and governance practices by the Group CEO and senior management. The orientation program also includes a familiarisation tour of selected premises or factories within the Group. The program allows new Directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to Management. Where necessary, the Company will provide training for first-time Directors in areas such as accounting, legal and industry-specific knowledge and first time Directors are required to attend training and courses organized by the Singapore Institute of Directors at the Company's expense. Directors are routinely updated on developments and changes in the operating environment, including revisions to accounting standards, and laws and regulations affecting the Group. At the request of Directors, the Company will fund Directors' participation at industry conferences, seminars or training programs in connection with their duties as Directors of the Company. The Company Secretary will bring to the Directors' attention, information on seminars that may be of relevance to them. News updates, bulletins, circulars and other releases issued by, in particular, the Singapore Exchange Securities Trading Ltd ("**SGX-ST**") and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board by the Company Secretary.

## **Formal letter to Director upon appointment**

A formal letter of appointment is provided to a new Director upon his or her appointment, setting out the duties and obligations associated with their directorship.

During the financial year under review, Dr. Lim Su Lin on 1 May 2019, and Mr. Sitoh Yih Pin and Ms. Goi Lang Ling Lauren on 1 October 2019, respectively, were appointed as Independent and Non-executive Directors of the Company.

## **Board's access to complete, adequate and timely information**

Board members are provided with management information including country performance, budgets, business plans, forecasts, funding position, capital expenditure, and manpower statistics of the Group prior to each Board meeting to enable them to keep abreast of the Group's performance, financial position and prospects. Any material variance between budgets, projections and actual results are disclosed and explained. All relevant information on material events and transactions are circulated to Directors as and when they arise.

## **Provision of information to the Board**

Board papers and related materials are disseminated to the Board before the scheduled Board or Board committee meeting via electronic means where the Directors will download the files onto their electronic devices, thereby removing the need to print hard copies for deliberation at meetings. With this process, the Company steers itself towards sustaining a green and environmentally-friendly work culture.

## **Appointment and removal of Company Secretary**

The appointment and removal of the Company Secretary is a Board reserved matter under the Constitution.

During the financial year under review, Ms. Dawn Tay resigned as General Counsel & Company Secretary on 21 June 2019 and Mr. Winston Paul Wong Chi Huang was appointed in her stead on even date.

## **Company Secretary**

Board members have separate and independent access to the Company's senior management and the Company Secretary, and *vice versa*. Such access comes in the form of electronic mail, telephone and face-to-face meetings. The Company Secretary attends all meetings of the Board and Board committees and assists the Chairman to ensure that Board procedures are followed and that there is good information flow within the Board and the Board committees and between Management and non-executive Directors. Where queries made by the Directors are channeled through the Company Secretary, the Company Secretary ensures that such queries are answered promptly by Management.

## **Board's access to independent professional advice**

Directors, individually or as a group, in furtherance of their duties and after consultation with the Chairman of the Board, are authorised to seek independent professional advice at the Company's expense.



# CORPORATE GOVERNANCE REPORT

## Board Composition and Guidance

**Principle 2** The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

### Board independence and number of independent Directors on the Board

As at 31 December 2019, the Board comprised eleven (11) members of whom seven (7) were independent and four (4) were non-independent. Except for the Group CEO, all the other Directors were non-executive Directors.

At the end of 31 December 2019, Mr. Koh Boon Hwee retired as Chairman of the Board and Non-independent and Non-executive Director and Mr. Fong Chun Man Kenneth retired as Non-independent and Non-executive Director. Mr. Melvin Teo also retired as Executive Director at the end of 31 December 2019 but remained in his role as Group CEO. Consequent to these changes, with effect from 1 January 2020, the size of the Board is reduced from eleven (11) to eight (8) members of whom seven (7) are independent and one (1) is non-independent. All Directors are non-executive Directors. On 1 January 2020, Mr. Ng Win Kong Daryl, a Non-independent and Non-executive Director, was appointed as Chairman of the Board.

The NC reviews the independence of the Directors annually and is satisfied that the Company has complied with the 2018 Code which provides that independent directors make up a majority of the Board where the Chairman is not independent.

A description of the background of each Director is provided in the “**Profile of the Board of Directors**” section of the Annual Report.

### Independence of Directors

Annually, the independent Directors submit declarations on their independence to the NC for assessment. The NC, in its deliberation of the independence of a Director, took into consideration the relevant provisions of the SGX-ST Listing Manual (“**Listing Manual**”), the 2018 Code and where relevant, the recommendations set out in the Practice Guidance accompanying the 2018 Code (“**Practice Guidance**”).

The NC takes into account the existence of relationships or circumstances, including those identified by the Listing Manual, the 2018 Code and the Practice Guidance, that are relevant in its determination as to whether a Director is independent. Such relationships or circumstances include (i) the employment of a Director by the Company or any of its related corporations during the financial year in question or in any of the previous three (3) financial years; (ii) a Director being on the Board for an aggregate period of more than nine (9) years; (iii) a Director providing to or receiving from the Company or any of its subsidiaries significant payments or material services during the financial year in question or the previous financial year, other than compensation for board service; and (iv) a Director being related to any organisation to which the Company or any of its subsidiaries, or from which the Company or any of its subsidiaries received, significant payments or material services during the financial year in question or the previous financial year.

For the financial year under review, the NC, having reviewed the independence of the relevant Directors, is satisfied that there are no relationships or circumstances which are likely to affect the following independent Directors’ objective and independent judgement:

- i. Dato’ Mohamed Nizam bin Abdul Razak;
- ii. Ms. Luo Dan;
- iii. Dr. Lim Su Lin;
- iv. Mr. Sitoh Yih Pin; and
- v. Ms. Goi Lang Ling Lauren.

Accordingly, the Board has, upon the NC’s recommendation, affirmed that the abovenamed Directors, each of whom has served less than nine (9) years as an independent Director since their date of appointment to the Board, remains independent as contemplated by the Listing Manual and 2018 Code.



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## **Independence of Directors who have served on the Board beyond nine years**

The following Directors have each served as an independent Director for more than nine (9) years from the date of their first appointment to the Board:

- i. Mr. S. Chandra Das; and
- ii. Mr. Chin Yoke Choong.

The Board is of the view that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. The NC and Board, having rigorously reviewed whether (i) there are relationships or circumstances which are likely to affect, or could appear to affect the judgement and the independence of the above Directors, and (ii) have noted the above Directors' active participation in debating, questioning and evaluating proposals by Management and/or actions to be taken. Accordingly, the Board has determined that Mr. Das and Mr. Chin are independent as they have continued to demonstrate independence in character and judgement in the discharge of their responsibilities as Directors and there are no relationships or circumstances which affect or are likely to affect their judgement and ability to discharge their responsibilities as independent Directors.

## **Size, composition, gender diversity and competencies of the Board and Board committees**

The size and composition of the Board and Board committees and the skills and core competencies of its members are reviewed annually by the NC, which seeks to ensure that the size and composition of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent Directors.

Taking into account the size and geographical spread of the Group's businesses, the Board considers the current Board size as appropriate for meaningful individual participation by Directors with diverse professional perspectives, so as to facilitate efficient and effective decision making with a strong independent element.

The current Board comprises members who as a group provide core competencies necessary to meet the Group's needs. These competencies include accounting and finance, banking, business acumen, industry knowledge and management experience.

Annually, the NC reviews the diversity of skills, qualities and experiences that the Board requires to function competently and efficiently, based on an established competency matrix of the Board and the curriculum vitae submitted by the individual Directors. As each Director brings valuable insights from various professional fields that are vital to the strategic interests of the Company, the Board considers that the Directors possess the necessary competencies to provide Management with diverse and objective perspectives on issues so as to lead and govern the Company efficaciously.

Provision 2.4 of the 2018 Code provides that an issuer should disclose its board diversity policy and progress made towards implementing such policy, including objectives. The Board believes in diversity and values the benefits diversity can bring to the Board in its deliberations and the Board's effectiveness. In addition to diversity in age, experience, background and skillsets of its members, the Board recognises that gender is an important aspect of diversity. Although an explicit policy on Board diversity has not been formalised, in practice the Board observes and applies the key tenets of diversity to ensure that the Board will have an appropriate level of diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company. In this regard, the Board, supported by the NC, has included female candidates in its search pool for new appointments. In line with this, the following female Directors have been appointed to the Board as well as to Board committees, (i) Ms. Luo Dan has served as a Board member since 1 January 2017 and has been a member of the RC since 27 April 2017, (ii) Dr. Lim Su Lin was appointed as a Board member on 1 May 2019 and as a member of the NC on 16 May 2019 and (iii) Ms. Goi Lang Ling Laureen was appointed as a Board member and as a member of the RC on 1 October 2019. These female Directors represented more than one-quarter of the Board as at 31 December 2019, and more than one-third of the Board as at 1 January 2020, respectively.

The incumbent Board currently comprises five (5) male Directors and three (3) female Directors.



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## Role of non-executive Directors

The non-executive Directors (including independent Directors) engaged with Management in the annual budget planning process. They also constructively challenged Management and helped to develop proposals on strategy. On a quarterly basis, the non-executive Directors reviewed the performance of Management in meeting agreed goals and objectives and monitored the reporting of performance against budget, peer performance and a balanced scorecard comprising key financial and non-financial performance indicators.

## Meeting of Directors without executive Director, Chairman and Management

The Board sets aside time to meet without the presence of the executive Director and Management especially where the circumstances warrant such meetings. The Board is of the view that it is not necessary to pre-arrange formal sessions of such meetings.

The lead independent Director also proposes and leads meetings of the independent Directors without the presence of the Chairman and non-independent Directors, as required. The lead independent Director will provide feedback to the Chairman after the conclusion of such meetings.

## Chairman and Chief Executive Officer

**Principle 3** There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

## Separation of the role of Chairman and Chief Executive Officer

The offices of Chairman of the Board and CEO are held by separate individuals to maintain effective oversight and accountability at Board and Management levels. As Chairman of the Board, Mr. Koh Boon Hwee bears responsibility for the workings of the Board. Mr. Melvin Teo Tzai Win, as Group CEO, bears responsibility for the overall running of the Group's businesses. This division of responsibilities between the Chairman and the Group CEO is set out in writing in the Board's Terms of Reference.

There is no familial relationship between the Chairman, Mr. Koh Boon Hwee and the Group CEO, Mr. Melvin Teo.

As at 1 January 2020, Mr. Koh Boon Hwee has retired from the Board and Mr. Ng Win Kong Daryl has assumed the chairmanship of the Board. Mr. Samuel Koh Chee Boon has been appointed as Group CEO (Designate) on 14 January 2020 until 13 March 2020 where he will succeed Mr. Melvin Teo as Group CEO.

## Roles and responsibilities of Chairman

The Chairman leads the Board to ensure its effectiveness on all aspects of its role. He ensures that the members of the Board receive accurate, clear and timely information, facilitates the contribution of non-executive Directors, encourages constructive relations between executive, non-executive Directors and Management, ensures effective communication with shareholders and promotes a high standard of corporate governance. The Chairman, in consultation with Management and the Company Secretary, sets the agenda for Board meetings and ensures that Board members are provided with adequate and timely information. As a general rule, Board papers are sent to Directors at least one (1) week in advance in order for Directors to be adequately prepared for the respective meetings. Key management personnel who have prepared the papers, or who can provide additional insights into the matters to be discussed are invited to present the papers during the Board meetings.

At AGMs and other shareholder meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and Management.

The Board is of the view that the Company has an effective group of independent non-executive Directors to provide balance within the workings of the Board and oversight for minority shareholders' interests.





# CORPORATE GOVERNANCE REPORT

## Lead independent Director

Taking cognisance that the Chairman of the Board is not an independent Director, the Board has appointed Mr. S. Chandra Das as lead independent Director on 1 November 2005 to serve as a sounding board for the Chairman of the Board and also act as an intermediary between the non-executive Directors and the Chairman.

Shareholders with concerns may contact the lead independent Director, Mr. Das, directly, when contact through the normal channels via the Chairman or other management personnel has failed to provide satisfactory resolution, or when such contact is inappropriate.

## Board Membership

**Principle 4** The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

## NC composition and role

The NC currently comprises three (3) Directors, namely, Mr. S. Chandra Das (Chairman of NC and lead independent Director), Dato' Mohamed Nizam bin Abdul Razak and Dr. Lim Su Lin. All three (3) members are independent Directors. During the financial year under review, Mr. Chin Yoke Choong and Dr. Tan Chin Nam, both of whom were independent and non-executive Directors, stepped down as members of the NC.

The NC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities. The principal roles of the NC are to review and make recommendations to the Board on relevant matters relating to:

- i. Board succession plans for Directors including the Chairman and CEO;
- ii. development of a process and objective criteria for evaluating the performance of the Board and Board committees and the contribution of each Director;
- iii. the determination of the independence of Directors at least annually, and as and when circumstances require;
- iv. training and professional development programmes for the Board and its Directors, including ensuring that new Directors are aware of their duties and obligations; and
- v. nominations of candidates for the appointment or re-appointment of members of the Board of Directors and the members of the various Board committees.

During the financial year under review, the NC held one (1) scheduled and one (1) non-scheduled meeting.

## Progressive renewal of the Board

Periodic reviews of the Board composition, including the selection of candidates for new appointments to the Board, are made by the NC in consultation with the Chairman as part of the Board's renewal process. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board, including gender. The selection of candidates is evaluated taking into account various factors including the current and mid-term needs and objectives of the Group, as well as the relevant expertise of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations. In enhancing the Board's competency, three (3) new independent non-executive Directors joined the Board during the financial year under review.

At each AGM, one third of the Directors, including the Group CEO if he/she also serves on the Board (or, if their number is not a multiple of three, the number nearest to but not less than one-third), shall retire from office by rotation in accordance with the Constitution, and may stand for re-election. Directors appointed by the Board during the financial year, without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM. They are not counted in the number of Directors to retire by rotation at the AGM. The NC considers the present provisions adequate and does not recommend any change.

The NC takes into consideration for the re-nomination of Directors for the ensuing term of office factors such as attendance, preparedness, participation and candour at meetings of the Board and Board committees. All Directors are required to submit themselves for re-nomination at regular intervals and at least once every three (3) years.



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### NC to determine Directors' independence

The NC deliberates annually, and as and when circumstances requires, to determine the independence of a Director bearing in mind the provisions as set out in the 2018 Code as well as all other relevant circumstances. No member of the NC participated in the deliberation process in respect of his own status as an independent Director.

### Directors' time commitments

The responsibilities of the NC also include assessing annually whether Directors who hold multiple directorships adequately carry out their duties as Directors of the Company. The NC's assessments are based on Directors' declarations made annually and from time to time.

The Board considers an assessment of the individual Director's contribution at meetings to be more effective than prescribing a numerical limit on the number of listed company board seats which a Director may hold. In this respect, the Board has accordingly not set a maximum number of other company directorships which a Director may concurrently hold, taking into consideration that multiple representations can benefit the Group as these Directors bring to the Board greater depth and diversity of experience, knowledge and perspectives.

For the financial year under review, the NC is satisfied that all Directors on the Board have extensive management, financial, accounting, banking, investment and commercial backgrounds, who are capable of acting responsibly and are able to properly serve on the Board and any of the Board committees to which such Directors are appointed despite competing commitments and demands on their time.

The listed company directorships and principal commitments of each Director is provided in the "**Profile of the Board of Directors**" section of the Annual Report.

### Appointment of alternate Director

No appointment of alternate Director was made in the financial year under review.

### Process for the selection, appointment and re-appointment of Directors

The NC is responsible for screening, identifying and selecting candidates for appointment as new Directors after having regard to the composition and progressive renewal of the Board and how the prospective Director will fit in the overall competency matrix of the Board.

When a need for a new Director arises either to replace a retiring Director or to enhance the Board's competency, the NC, in consultation with the Board, shall evaluate and determine the selection criteria so as to identify candidates with the appropriate experience and expertise for the appointment as a new Director. The selection criteria include attributes such as integrity, diversity of competencies, industry knowledge and financial literacy. The NC seeks potential candidates widely and beyond Directors'/Management's recommendations and is empowered to engage external parties, such as professional search firms, to undertake research on or assessment of candidates as it deems necessary.

The NC then meets with the shortlisted candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for approval and appointment as a new Director.

Three (3) new Directors, Dr. Lim Su Lin, Mr. Sitoh Yih Pin and Ms. Goi Lang Ling Laureen, were appointed during the financial year as Independent and Non-executive Directors.



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## Key information on Directors

A description of the background of each Director is provided in the “**Profile of the Board of Directors**” section of the Annual Report.

Other than the Group CEO, Mr. Teo, none of the Directors holding office at the end of the financial year under review held shares in the Company and/or subsidiaries of the Company. Mr. Teo’s shareholdings in the Company are set out in the Directors’ Statement (accompanying the audited financial statements) in this Annual Report.

The name of the Director who is seeking re-election at the forthcoming AGM in April 2020 are provided in the Notice of AGM in this Annual Report. Pursuant to the requirements of the Listing Manual, additional information required under Appendix 7.4.1 of the Listing Manual for the Director seeking re-election at the forthcoming AGM are provided in the “**Profile of the Board of Directors**” and “**Supplemental Information on Director Seeking Re-election**” sections of the Annual Report.

## Board Performance

**Principle 5** The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

## Board evaluation process

The NC evaluates the Board and its Board committees as a whole bearing in mind that each member of the Board contributes in various ways to the success of the Company and Board and Board committee decisions are made collectively.

To evaluate the performance of the Board as a whole and its ability to discharge its responsibilities in providing stewardship, corporate governance and oversight of Management’s performance, the NC has put in place a formal Board evaluation process for this purpose.

To facilitate the evaluation process, Directors are requested to complete evaluation questionnaires annually to assess the effectiveness of the Board and its Board committees. To ensure confidentiality, the evaluation questionnaires completed by the Directors are submitted to the Company Secretary for collation and the consolidated responses are presented to the NC for review. The results of the performance evaluation are then presented first to the Chairman and then to the Board for consideration. The Board will then act on the results where appropriate.

Following the evaluation for the financial year under review, the Board is of the view that the Board and its committees operate effectively and each Director has contributed to the overall effectiveness of the Board in meeting performance objectives.

## Board evaluation criteria

To assess the Board’s and Board committee’s performance, the NC has established a set of objective assessment criteria such as the size of the Board, the degree of independence of the Board, information flow from Management, and adequacy of the Board and committees’ meetings held to enable proper consideration of issues. This set of assessment criteria is the same as that used during the financial year ended 31 December 2018.

Annually, members of the Board are required to assess the Board by completing a Board Evaluation Questionnaire comprising the following objective performance criteria as recommended by the NC and approved by the Board:

- (a) Board Composition;
- (b) Board Information;
- (c) Board Process; and
- (d) Board Accountability.

The above performance criteria will be reviewed by the NC and the Board from time to time, where appropriate. The Board is of the opinion that a criterion such as share price performance is not appropriate for assessment of non- executive Directors’ and the Board’s performance as a whole.



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## Evaluation of individual Directors

Although the Directors are not evaluated individually on an annual basis, factors such as Directors' contribution, participation in discussions and commitment of their time to their role have been considered by the NC during the Board renewal process.

Other factors taken into consideration by the NC, when determining whether or not to recommend an existing Director for re-appointment, include the value of contribution to the development of strategy, availability at Board meetings (as well as informal contribution via electronic mail and telephone), degree of preparedness, industry and business knowledge and experience each director possesses which are crucial to the Group's business.

For the financial year under review, the Board is of the view that the members of the Board have performed efficiently and effectively for the Board to function collectively as a whole.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 6** The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

### RC composition and role

The RC currently comprises four (4) independent non-executive Directors, namely, Mr. Sitoh Yih Pin (RC Chairman effective 1 January 2020), Mr. S. Chandra Das, Ms. Luo Dan and Ms. Goi Lang Ling Laureen. During the financial year under review, Dr. Tan Chin Nam, who was also an independent and non-executive Director, stepped down from his position as RC Chairman.

The members of the RC are experienced and knowledgeable in the field of executive compensation having managed large organisations. In addition, they have access to the Company's Human Resource personnel should they have any queries on human resource matters.

The RC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities. The principal roles of the RC are:

- i. reviewing and approving the structure and framework of the compensation policies of the Group so as to align compensation with shareholders' interests;
- ii. reviewing and recommending to the Board, the fees of the non-executive Directors;
- iii. reviewing and making recommendations to the Board on executive Directors and the Group CEO's remuneration packages; and
- iv. recommending the quantum of performance bonus pool and share-based incentives for the Group CEO and key employees.

During the financial year under review, the RC held two (2) scheduled meetings.



# CORPORATE GOVERNANCE REPORT

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## Remuneration framework

The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual directors and key management personnel. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progression policies.

The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each Director. The determination of the remuneration of the Directors is a matter for the Board as a whole. Directors do not participate in decision making in determining their own remuneration. Directors' fees are subject to shareholders' approval at the AGM.

No member of the RC is involved in deliberating in respect of any remuneration, compensation or any form of benefits to be granted to him.

## RC's access to external expert advice on remuneration matters

If the RC requires external professional advice on remuneration matters, such professionals will be engaged at the Company's expense. For the financial year under review, the Company did not engage any remuneration consultant with regard to the remuneration of Directors but had reviewed independent remuneration reports prepared by external parties for decision-making relating to remuneration matters.

## Service contracts

The RC reviews the Company's obligations arising in the event of termination of the executive Director's and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

## Level and Mix of Remuneration

**Principle 7** The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

## Remuneration of executive Director and key management personnel

The Company adopts a remuneration policy for staff that is primarily performance based. Remuneration comprises a fixed and a variable component. The fixed component consists of a base salary, fixed allowance and an annual wage supplement. The variable component is in the form of a variable bonus that is linked to the Company's and the individual's performance. The remuneration policy also takes into account the need to attract, retain and motivate key management personnel to successfully manage the Company for the long-term and for Directors to provide good stewardship of the Company.

The Company has in place the following incentive schemes for the financial year under review:

- i. a short-term performance bonus plan based on a balanced scorecard comprising financial and non-financial key performance indicators ("KPI") that has been approved by the RC and the Board at the beginning of the year; and
- ii. a long-term share-based incentive plan (the YHS Share Incentive Plan) which was approved and adopted by members of the Company at the Extraordinary General Meeting held on 26 April 2010. This plan provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group and who satisfy the eligibility criteria as set out under the rules of the plan to participate in the equity of the Company, thereby aligning the interests of Group employees with that of shareholders. The RC is the committee responsible for the administration of this plan. Detailed information on the YHS Share Incentive Plan can be found in the Directors' Statement in the Annual Report.



# CORPORATE GOVERNANCE REPORT

The Board only had one executive Director during the financial year under review, namely the Group CEO. He does not receive Director's fees. When reviewing the remuneration package of the executive Director, the Company makes a comparative study of the remuneration packages of chief executive officers in comparable industries and takes into account the performance of the Company and that of the Group CEO. The remuneration package of the Group CEO is made up of fixed and variable components. The fixed remuneration comprises annual basic salary, fixed allowances and annual wage supplement. The variable component is subject to individual performance and the achievement of the Company's business goals, and is subject to the discretion of the Board.

The employment contract for the Group CEO does not have fixed-term tenure and does not contain onerous removal clauses.

Mr. Melvin Teo retired as Executive Director on 31 December 2019 but remained in his role as Group CEO until 13 March 2020. To ensure an orderly leadership transition, Mr. Melvin Teo will be appointed as Advisor to the Group from 14 March 2020 to 13 July 2020.

## Remuneration of non-executive Directors

Non-executive Directors have no service contracts with the Company and their terms are specified in the Constitution. Non-executive Directors are paid a basic fee, an additional fee for serving on any of the committees and an attendance fee for participation in meetings of the Board and any of the committees. In determining the quantum of such fees, factors such as frequency of meetings, time spent, responsibilities of non-executive Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account.

The Chairman and members of the ARC receive higher additional fees to take into account the nature of their responsibilities. The aggregate fees of the non-executive Directors are subject to the approval of the shareholders at the AGM.

Director fees and additional fees for serving on Board committees and attendance fees are paid to non-executive Directors in accordance with the following framework:

Fee Structure	Financial Year 2019 S\$
Chairman (Flat Fee)	350,000
Deputy Chairman & Lead Independent Director <sup>1</sup>	120,000
Non-executive Directors – Basic Fee	55,000
Audit & Risk Committee – Chairman	40,000
Audit & Risk Committee – Member	20,000
Other Committee – Chairman	20,000
Other Committee – Member	12,000
Attendance Fee for meetings in Singapore <sup>2</sup>	1,000
Attendance Fee for meetings outside of Singapore <sup>2</sup>	2,000

Annotations:

- 1 Inclusive of S\$60,000 payable for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.
- 2 Attendance fees are payable on a per day basis, regardless of the number of meetings held on the same day.

## Contractual provisions to reclaim incentive components of remuneration

The Company does not use contractual provisions to allow itself to reclaim incentive components of remuneration from its executive Director and key management personnel in exceptional circumstances of misstatements of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself of remedies in the event of any breach of fiduciary duties as the executive Director owes a fiduciary duty to the Company.



# CORPORATE GOVERNANCE REPORT

## Disclosure on Remuneration

**Principle 8** The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

## Remuneration report

The Company does not include an annual remuneration report in this Report as the matters required to be disclosed therein have been disclosed in this Report, the Directors' Statement and the Notes to the Financial Statements.

The Board responds to queries from shareholders at AGMs on matters pertaining to remuneration policies and Directors' remuneration. Accordingly, it is the opinion of the Board that there is no necessity for such policies to be approved by shareholders.

## Remuneration of individual Directors

Non-executive Directors' fees as shown in the table below are on a paid basis, and relate to services rendered in respect of the previous financial year ended 31 December 2018.

<b>Non-executive Directors</b>	<b>Directors' Fees S\$</b>
Koh Boon Hwee	350,000
S. Chandra Das <sup>1</sup>	233,000
Chin Yoke Choong	112,000
Dato' Mohamed Nizam bin Abdul Razak	80,000
Dato' N. Sadasivan a/l N.N. Pillay	78,000
Tan Chin Nam	92,000
Luo Dan	73,000
Fong Chun Man Kenneth	60,000
Ng Win Kong Daryl <sup>2</sup>	33,438

Annotations:

- 1 Inclusive of S\$60,000 for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.
- 2 Pro-rated in accordance with Mr. Ng's term in office from his date of appointment of 13 June 2018 to 31 December 2018. Mr. Ng has waived his right to receive any Director's fees due to him effective from the date of his appointment and for subsequent financial years while holding office as a Director of the Company.



## CORPORATE GOVERNANCE REPORT

Non-executive Directors' fees as shown in the table below relate to services rendered in respect of the financial year ended 31 December 2019 ("FY2019"). Payment of the Directors' fees for FY2019 is subject to approval by shareholders at the forthcoming AGM in April 2020.

<b>Non-executive Directors</b>	<b>Directors' Fees (FY2019) S\$</b>
Koh Boon Hwee	350,000
S. Chandra Das <sup>1</sup>	234,016
Chin Yoke Choong	103,438
Dato' Mohamed Nizam bin Abdul Razak	86,562
Dato' N. Sadasivan a/l N.N. Pillay <sup>2</sup>	59,096
Tan Chin Nam <sup>2</sup>	64,534
Luo Dan	72,000
Fong Chun Man Kenneth	59,000
Ng Win Kong Daryl <sup>3</sup>	58,000
Lim Su Lin <sup>4</sup>	46,479
Goi Lang Ling Laureen <sup>5</sup>	17,888
Sitoh Yih Pin <sup>5</sup>	21,679

Annotations:

- 1 Inclusive of S\$60,000 for appointment as Chairman of YHS (Singapore) Pte Ltd, the Company's wholly-owned subsidiary.
- 2 Pro-rated in accordance with Dato' N. Sadasivan's and Mr. Tan's term in office from 1 January 2019 to 30 September 2019.
- 3 Mr. Ng has waived his right to receive any Director's fees due to him effective from the date of his appointment and for subsequent financial years while holding office as a Director of the Company.
- 4 Pro-rated in accordance with Dr. Lim's term in office from 1 May 2019 to 31 December 2019.
- 5 Pro-rated in accordance with Ms. Goi's and Mr. Sitoh's term in office from 1 October 2019 to 31 December 2019.

The remuneration of the executive Director is set out in the table below.

<b>Executive Director</b>	<b>Total Gross Remuneration S\$</b>	<b>Fixed Salary<sup>1</sup> %</b>	<b>Variable Bonus<sup>2</sup> %</b>	<b>Benefits-in-kind &amp; Others<sup>3</sup> %</b>
Melvin Teo Tzai Win	1,949,628	55.4	32.7	11.9

Annotations:

- 1 Fixed Salary refers to base salary, annual wage supplement, fixed allowances and contractual bonuses, where applicable.
- 2 Variable Bonus comprises cash bonus awarded for Mr. Teo's performance for FY2019. In addition to the above, an additional amount of S\$342,000 will be payable to Mr. Teo in July 2020.
- 3 Benefits-in-kind & Others are stated on the basis of direct costs to the Group and is inclusive of payments in respect of the company (employer) statutory contributions to the Singapore Central Provident Fund, Malaysia Employees Provident Fund, tax equalisation, car benefits, children's education, mobile phone allowance, club membership, housing rental and others, where applicable.





# CORPORATE GOVERNANCE REPORT

## Remuneration of key management personnel

The remuneration of the GMC members as at 31 December 2019 is as follows:

Key Management Personnel	Designation	Remuneration Band	Fixed Salary <sup>1</sup>	Variable Bonus <sup>2</sup>	Benefits-in-kind & Others <sup>3</sup>
		S\$	%	%	%
Yap Ng Seng <sup>4</sup>	Deputy Chief Executive Officer	\$250,000 to \$499,999	94.9	0.0	5.1
Kam, Min Ho Andrew <sup>5</sup>	Deputy CEO, HK & China	\$850,000 to \$999,999	98.6	0.0	1.4
Sueann Lim	Executive Vice President, Research & Development, Quality Assurance	\$500,000 to \$749,999	60.2	27.4	12.4
Cyndi Pei	Senior Vice President, Group Finance and Group Financial Controller	\$250,000 to \$499,999	62.2	23.4	14.4
Ooi Peng Hock <sup>6</sup>	Senior Vice President, Malaysia & Indonesia	\$50,000 to \$249,999	81.8	0.0	18.2

The aggregate remuneration paid or payable to the above GMC members in the financial year under review was S\$2,401,930.

Annotations:

- Fixed Salary refers to base salary, fixed allowances and contractual bonuses, where applicable.
- Variable Bonus refers to cash bonuses awarded for performance for the financial year ended 31 December 2019. Cash bonuses above certain amounts will be payable to key management personnel in instalments in accordance with a disbursement schedule over three years.
- Benefits-in-kind & Others are stated on the basis of direct costs to the Group and is inclusive of payments in respect of the company (employer) statutory contributions to the Singapore Central Provident Fund, Malaysia Employees Provident Fund, tax equalisation, car benefits, children's education, mobile phone allowance, club membership, housing rental and others, where applicable.
- Retired on 20 January 2019.
- Appointed on 11 February 2019.
- Left employment on 7 June 2019.

## Employees related to Directors/Group CEO/substantial shareholder

There were no employees of the Group who are substantial shareholders of the Company or are immediate family members of any of the Directors, the Group CEO or a substantial shareholder of the Company and whose remuneration exceeds S\$100,000 in the financial year under review.

## Termination, retirement or post-employment benefits

No termination, retirement or post-employment benefits were granted to the Directors, the Group CEO or the key management personnel (who are not Directors or the Group CEO) during the financial year under review.

## Link between remuneration and performance

The Company has in place a performance bonus plan. Each year, during the budget period, Management will propose a balanced scorecard (comprising financial and non-financial KPIs with different ascribed weightages) to the RC and the Board for consideration and approval. The scorecard will take into consideration all the critical items that the Group is to focus on for the financial year, including key multi-years' projects. The KPIs and weightages will differ depending on the function and geography of the different operating units.



# CORPORATE GOVERNANCE REPORT

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During the financial year, the Group CEO evaluates *inter alia* the extent to which the above KPIs have been achieved based on the Company's performance after taking into consideration market conditions during the year and benchmarking the Group's performance against peer performance, and recommends for the approval of the RC and the Board, the bonus pool quantum for distribution. As part of the Company's continuing efforts to reward, retain and motivate the key management personnel, the total bonus awarded to the Group CEO and key employees may be paid in a combination of cash and deferred cash to further strengthen medium term alignment of the interests of such personnel with that of shareholders.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

**Principle 9** The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

### Compliance with legislative and regulatory requirements

The Company has in place a system of reporting to maintain compliance with statutory and regulatory reporting requirements.

In compliance with the Listing Manual, negative assurance statements were issued by the Board with each quarterly financial report to confirm that to the best of its knowledge, nothing had come to its attention which would render the Company's quarterly results false or misleading in any material respect.

As required under Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its Directors and executive officers where they each undertook to, in the exercise of their powers and duties as Directors and executive officers respectively, use their best endeavours to comply with the provisions of the Listing Manual.

### Management's accountability for the provision of timely information to the Board

Management provides the Board with a regular flow of relevant information on a timely basis in order that it may effectively discharge its duties. All Board members are also provided with up to date financial reports and other information on the Group's performance for effective monitoring and decision making.

Management also provides all members of the Board with unaudited results with explanatory notes which present a balanced and understandable assessment of the Company's performance, financial position and prospects on a quarterly basis. With respect to the financial year under review, the Company announced the unaudited financial results of the Group and the Company on a quarterly basis and disclosed other relevant material information via SGXNET to the shareholders. Following changes to the Listing Manual which took effect from 7 February 2020, the Company announced on 27 February 2020 that moving forward, it would not be announcing its unaudited financial results on a quarterly basis but would instead announce its financial results on a semi-annual basis.

Management also highlights key business indicators and any major issues that are relevant to the Group's performance as and when appropriate in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospects.

### Risk management and internal control systems

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The Board is primarily responsible for the governance of risk, including determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The Group has established a comprehensive risk management framework approved by the ARC which oversees and ensures that the systems of risk management and internal controls are being appropriately designed, implemented and closely monitored for its adequacy and effectiveness.



## CORPORATE GOVERNANCE REPORT

The Company has also instituted and put in place across the Group policies on Code of Conduct, Dealing in Securities, Interested Person Transactions and Whistle-Blowing to mitigate the risk of fraud, corruption and misconduct by employees.

The identification and management of financial risks are outlined in the “**Notes to the Financial Statements**” section of the Annual Report.

The main operational risks of the Group and a description of how they are being managed or mitigated are as follows:

- i. risk of product contamination and product integrity in the manufacturing process. The Company has established a strong Group Research & Development and Quality Assurance Centre in Singapore which oversees and monitors product integrity and manufacturing processes across the Group;
- ii. risk of an inadequate Business Continuity Plan (“**BCP**”) which is essential for the continuation of key processes to recover from unexpected business interruptions. The Group has a BCP to recover from natural and/or man-made disasters;
- iii. risk of ineffective advertising, promotion and selling expenses being incurred which do not generate the expected sales and profits. Management constantly monitors major advertising and promotion programmes and sets key performance indicators to monitor spending against the sales and profitability;
- iv. change in operational conditions including fluctuation in raw material prices and labour issues that affect the cost of doing business. To avoid over-dependence on any one supplier or service provider, the Group has a policy to have more than one supplier or service provider where practicable. The Group will monitor and judiciously lock in raw material prices where appropriate and possible in order to manage raw material costs;
- v. economic conditions in markets where the Group operates may be uncertain which inevitably subjects it to financial risks ranging from foreign exchange and commodity volatilities. Policies and procedures addressing these areas have been established throughout the Group to mitigate these risks;
- vi. loss of capacity at any particular plant within the Group due to unforeseen circumstances that affects the supply of products and the business of the Group. The Group, where possible, will have more than one manufacturing site or a third-party contract manufacturer to serve as back-up to cushion the impact;
- vii. core operational disruptions and data breaches from cyber-attacks resulting in reputational damage due to insufficient preparation of IT security systems. The Group reviewed its cyber security measures and has an off-site recovery centre, an IT recovery plan and manual back-up procedures to improve its resilience against cyber-attacks;
- viii. risk of disruptions due to departure of key management personnel. The Group has a compensation scheme that seeks to attract and retain talent and prepares for succession of key appointment holders;
- ix. risk of intense competition in the markets that the Group operates in. The Group constantly keeps ahead of market developments to calibrate its strategies and investments to mitigate against risks which may arise, or capitalise on opportunities that present themselves;
- x. water and utilities disruption in production can have tangible impacts on the Group’s supply chains, operations and production. The Group has established water tanks for supply to critical production and product lines and deployed Uninterrupted Power Supply systems for its critical key processes in the event of any supply disruptions; and



## CORPORATE GOVERNANCE REPORT

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- xi. operating in a global environment, the Group is exposed to changing regulations and applicable laws in jurisdictions where it has a business presence. The Group monitors and keeps itself updated with the latest changes to ensure regulatory compliance.

### **Adequacy and effectiveness of risk management and internal control systems**

The Company's internal auditors review the implementation of the policies and procedures adopted for risk management and internal control, and report their findings to the ARC to provide check and balance.

The Company's external auditors carry out, in the course of the statutory audit, an assessment of the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, and highlight any material internal control weaknesses that have come to their attention during the conduct of their normal audit procedures, which are designed primarily to enable them to express an opinion on the financial statements. Any material internal control weaknesses identified by the external auditors during their audit and their recommendations are reported to the ARC.

On a quarterly basis, the ARC conducts a review of the Company's risk management and internal controls systems to ensure that the systems in place are adequate and effective to address the Company's significant risk areas and credit risks.

### **Board's comment on the adequacy and effectiveness of internal controls**

For the financial year under review, the Board was assured by the Group CEO and the Group Financial Controller that the financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances and that the Group's internal controls and risk management systems were adequate and effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, the assurance furnished by the Group CEO and the Group Financial Controller, and reviews performed by Management and various Board committees, the Board with the concurrence of the ARC, is of the opinion that the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

For the year under review, no material weaknesses in the systems of risk management and internal controls were identified by the Board or the ARC.

Internal controls, because of their inherent limitations can only provide reasonable but not absolute assurance in the achievement of their internal control objectives. The Board is satisfied that if significant internal control failures or weaknesses were to arise, Management would take all necessary actions to remedy them.

### **Separate risk committee**

Oversight of the Group's risk management framework and policies is under the purview of the ARC, which is aided by the Group Risk Management function and the internal auditors. Having considered the Group's business operations as well as its existing internal controls and risk management systems, the Board is of the opinion that a separate risk committee is not required for the time being.



# CORPORATE GOVERNANCE REPORT

## Audit Committee

**Principle 10** The Board has an Audit Committee which discharges its duties objectively.

### ARC composition

The ARC currently comprises four (4) non-executive Directors, namely, Mr. Chin Yoke Choong (Chairman of ARC), Mr. S. Chandra Das, Dato' Mohamed Nizam bin Abdul Razak and Mr. Sitoh Yih Pin. All four (4) members are independent Directors. During the financial year under review, Dato' N. Sadasivan a/l N.N. Pillay, who was also an independent and non-executive Director, stepped down from his position as a member of the ARC.

The ARC is guided by its written Terms of Reference which specifically sets out its authority and responsibilities.

During the financial year under review, the ARC held four (4) scheduled meetings.

### Expertise of ARC members

The ARC members bring with them professional expertise and experience in the field of accounting and financial management. The Chairman of the ARC, Mr. Chin Yoke Choong has served as the Managing Partner of KPMG Singapore from 1992 to 2005. Mr. Sitoh Yih Pin is a chartered accountant. The background of each ARC member can be found in the "**Profile of the Board of Directors**" section of the Annual Report.

The NC is of the view that the members of the ARC have sufficient recent and relevant financial management expertise and experience to discharge the ARC's functions.

### Role, responsibilities and authority of the ARC

The ARC has full access to and co-operation from the Company's Management and the internal auditors, and has full discretion to invite any Director or executive officer to attend its meetings. The executive Director, at the invitation of the ARC, participates in the ARC's deliberations.

The ARC performs the following main functions:

- i. reviewing with the external auditors their audit plan, audit reports, significant financial reporting issues and judgements (to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance), the nature, extent and costs of non-audit services and any matters which the external auditors wish to discuss;
- ii. reviewing and reporting to the Board at least annually the scope and results of internal audit procedures and its evaluation of the adequacy and effectiveness of the overall internal controls and risk management systems;
- iii. reviewing the assurance from the CEO and the Group Financial Controller on the financial records and financial statements;
- iv. reviewing and recommending to the Board for approval the financial statements and full-year financial results and related SGXNET announcements;
- v. reviewing and approving the appointment, re-appointment, remuneration or the dismissal of the internal auditors and the adequacy, independence, scope and effectiveness of the internal audit function;
- vi. reviewing the adequacy, effectiveness, independence, scope and results of the external audit, and the independence and objectivity of the external auditors;
- vii. recommending to the Board (i) the appointment, re-appointment or change of the external auditors, taking into consideration (where applicable) the scope and results of the audit and their cost effectiveness, and (ii) their remuneration and engagement terms;



## CORPORATE GOVERNANCE REPORT

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- viii. assisting the Board in the oversight of risk management including reviewing and recommending to the Board on an annual basis the type and level of business risks that YHS should undertake to achieve its business objectives, the appropriate framework and policies for managing risks that are consistent with the Group's risk appetite, the risk tolerance levels for the Group's key risks to ensure that there is clarity on the thresholds within which the Group should operate and the adequacy of resources required to carry out its risk management functions effectively;
- ix. reviewing interested person transactions to consider whether such transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders and (where applicable) to issue a statement on the views expressed and to recommend to the Board appropriate actions to be taken depending on the classification of the transactions in accordance with the Listing Manual;
- x. reviewing the whistle-blowing policy and arrangements for staff to raise concerns and improprieties in confidence, and ensure that these arrangements allow independent investigation of such matters and appropriate follow up action;
- xi. reviewing improper activities, suspected fraud or irregularities, discussing such matters with the external auditors and reporting to the Board, where necessary; and
- xii. performing any other functions which may be agreed by the ARC and the Board.

The ARC has the power to investigate any matter brought to its attention and any matters within its Terms of Reference. It also has the power to seek professional advice at the Company's expense.

Where relevant, the ARC makes reference to the best practices and guidance in publications such as the Guidebook for Audit Committees in Singapore jointly issued by ACRA, the Monetary Authority of Singapore and SGX, the Guidance to Audit Committees on ACRA's Audit Quality Indicators Disclosure Framework, practice directions issued from time to time in relation to Financial Reporting Surveillance Programme administered by ACRA, and the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

In its review of the financial statements, the ARC discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements reported under key audit matters in the independent auditors' report. This can be found in the "**Financial Statements**" section of the Annual Report.

Having reviewed the audit plans (internal and external) and the adequacy and effectiveness of the Group's systems of risk management and internal controls, the ARC is satisfied with Management's processes, disclosures in the financial statements and report of the external auditors.

Following the review and discussions, the ARC will then recommend to the Board where appropriate the release of the full-year financial statements.

Minutes of the ARC meetings are routinely tabled at Board meetings for the Directors' information.

### External and internal auditors

The ARC recommends to the Board the appointment, re-appointment or change of the external auditors, and their remuneration and terms of engagement. The appointment of the external auditors is subject to shareholders' approval at each AGM of the Company.

The ARC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

For the financial year under review, the ARC held a meeting with the external and internal auditors without the presence of Management.



# CORPORATE GOVERNANCE REPORT

## Independence of external auditors

The ARC reviews the independence and objectivity of the external auditors through discussions with the external auditors, as well as an annual review of the volume and nature of non-audit services provided by the external auditors. The fees paid to the Group's external auditors are as disclosed in the table below:

External Auditors' Fees for FY2019	S\$'000	% of Total Fees
Audit Fees	670	92
Non-audit Fees	56	8
Total Fees	726	100

In the ARC's opinion, the non-audit services provided by the external auditors did not impair their objectivity and independence. Accordingly, the Company has complied with Rule 1207(6)(b) of the Listing Manual.

The Company has also complied with Rules 712 and 715 or 716 of the Listing Manual, as applicable, in relation to the Company's appointment of auditing firms. Where auditing firms other than the Company's external auditors are engaged as auditors by foreign-incorporated subsidiaries or associated companies, such foreign-incorporated subsidiaries or associated companies are not significant in the sense of Rule 718 of the Listing Manual.

## Whistle-blowing policy

The Company has put in place a whistle-blowing framework, endorsed by the ARC, under which employees of the Group may, in confidence raise concerns about possible corporate irregularities in matters of financial reporting or other matters. Management provides quarterly updates to the ARC on whistle-blowing incidents, if any. A copy of the whistle-blowing policy is posted on the Company's intranet and official website encouraging the report of any behavior or action that might constitute a contravention of any rules/regulations/accounting standards as well as internal policies.

The Company treats all information received in strict confidence and protects the identity and the interest of all whistle-blowers. The anonymity of the whistle-blower will be maintained where so requested by the whistle-blower.

## ARC's activities and members' duty to keep abreast of changes to accounting standards

The primary role of the ARC is to assist the Board in ensuring the integrity of the Group's financial accounting system and that a sound internal control system is in place.

The ARC meets regularly with Management and the external auditors to review auditing and risk management matters and deliberate on accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit functions to ensure that an effective system of control is maintained by the Group.

During the financial year under review, the ARC reviewed, on a quarterly basis, the Company's financial results announcements before their submission to the Board for approval.

The ARC is kept abreast by Management and the external auditors of changes to the financial reporting standards, Listing Manual and other regulations and issues which have a direct impact on the Group's business and financial statements.

## Cooling-off period for partners of the Company's auditing firm

None of the ARC members were previous partners or directors of the Company's existing external auditors, KPMG LLP, within the period of two (2) years commencing on the date of their ceasing to be a partner or director of KPMG LLP. All ARC members do not have any financial interest in KPMG LLP.



# CORPORATE GOVERNANCE REPORT

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## Internal auditors and their function

The Company has appointed Deloitte Risk Advisory Sdn. Bhd. (“**Deloitte**”) as the Company’s internal auditors. Deloitte reports directly to the ARC.

The ARC assesses, at least annually, the adequacy and effectiveness of the internal audit function. Having regard to the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, and having reviewed the functions and organisational structure of Deloitte, the ARC is satisfied that Deloitte meets the requisite standards.

The ARC is satisfied that the Company’s internal audit function is effective, adequately resources, independent, and has appropriate standing within the Company.

The internal auditors have unfettered access to all the Company’s documents, records, properties and personnel, including access to the ARC.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

**Principle 11** The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

### Effective participation and voting by shareholders at general meetings

All shareholders are informed of shareholders’ meetings through notices contained in annual reports and circulars disseminated to them. These notices are also published in the local press and posted on SGXNET. Resolutions tabled at general meetings are voted by poll, the procedures and rules under which are clearly explained by scrutineers at such general meetings.

The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend these general meetings to ensure a high level of accountability and to stay informed of the Group’s strategies and visions. These meetings also allow shareholders to raise relevant questions or seek clarification on the motions before they are put to the vote.

### Separate resolutions at general meetings

Resolutions to be tabled at general meetings are separate for each substantially separate issue, unless they are interdependent and linked so as to form one significant proposal. Where resolutions are bundled, the reasons and material implications are explained in the notice of general meeting to enable shareholders to make an informed decision.

### Voting by poll at general meetings

For greater transparency in the voting process, the Company has implemented electronic poll voting at general meetings of shareholders. The voting results of all votes cast for or against each resolution are made available at the meeting and subsequently announced to the SGX-ST after the meeting.

Provision 11.4 of the 2018 Code provides that an issuer’s Constitution should allow for absentia voting at general meetings of shareholders. Our Constitution currently does not, however, permit shareholders to vote at general meetings in absentia (such as via mail, email or fax). The Company has not amended its Constitution to provide for absentia voting, as it could be costly to implement, bearing in mind that the Company would need to implement preventive measures to guard against errors, fraud and other irregularities. The Company is of the opinion that despite its deviation from Provision 11.4 of the 2018 Code, shareholders nevertheless have opportunities to communicate their views on matters affecting the Company even when they are not in attendance at general meetings. For example, shareholders may appoint proxies to attend, speak and vote, on their behalf, at the respective general meetings.





# CORPORATE GOVERNANCE REPORT

## Multiple proxies

Following the introduction of the multiple proxies regime under the amended Companies Act of Singapore, with effect from 3 January 2016 “**relevant intermediaries**” (such as banks and capital markets services licence holders which provide custodial services for securities) which are members of the Company, are able to appoint more than two proxies to attend, speak and vote at general meetings of shareholders of the Company. Accordingly and to facilitate effective participation in general meetings of shareholders, the Company has at its 60<sup>th</sup> AGM held on 22 April 2016 adopted a new Constitution, which contains new provisions that cater to the multiple proxies regime.

## Attendees at general meetings

Members of the Board, the Chairman of each of the Board committees, senior management, the external auditors, legal advisors and Management are in attendance at general meetings of shareholders.

The external auditors who attend the Company’s general meetings of shareholders are equipped to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report.

## Minutes of general meetings

The Company Secretary prepares the minutes of shareholders’ meetings, which include substantive comments and queries from shareholders and the responses from the Board and Management. Provision 11.5 of the 2018 Code provides that an issuer should publish the minutes of general meetings of shareholders on its corporate website as soon as practicable after such meetings. The Company currently does not publish such minutes on our corporate website. The Company is of the view that despite its deviation from Provision 11.5 of the 2018 Code, the Company treats all shareholders fairly and equitably to enable them to exercise their shareholders’ rights, including shareholders who are unable to attend general meetings, as the minutes of shareholders’ meetings are available to any shareholder upon request and upon authentication of the shareholder’s identity by the Company.

## Dividend policy

Provision 11.6 of the 2018 Code provides that an issuer should have a dividend policy and communicate it to shareholders. The Company does not, however, have a stated policy of distributing a fixed percentage of earnings by way of dividend annually. Rather, in fixing a dividend for any year, the Company considers a number of factors including current and forecast earnings, internal capital requirements, growth options and the Company’s debt/equity position. The Company is of the view that despite its deviation from Provision 11.6 of the 2018 Code, all shareholders are treated fairly and equitably to enable them to exercise their shareholders’ rights. Shareholders have the opportunity to communicate their views on matters affecting the Company, including the dividend payout in any given year. Notwithstanding the absence of a stated dividend policy, shareholders are able to express their views to the Company on matters relating to dividends, whether this is done at AGMs or otherwise, and due consideration is given to such feedback.

## Engagement with Shareholders

**Principle 12** The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

## Communication with shareholders

In addition to regular dissemination of information through SGXNET, the Company also attends to general enquiries from shareholders, investors, analysts, fund managers and the press. The Company’s investor relations policy allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. The policy sets out the mechanism through which shareholders may contact the Company with questions and through which the Company may respond to such questions. The Company has a team of investor relations personnel to focus on facilitating communication with shareholders, investors, fund managers, analysts, media and other stakeholders on a regular basis, to attend to their queries or concerns as well as to keep the investing public apprised of the Company’s corporate developments and financial performance.

Information on the Company and its businesses is also made available on the Company’s website: [www.yeos.com.sg](http://www.yeos.com.sg).



# CORPORATE GOVERNANCE REPORT

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## Timely Information to shareholders

The Company is committed to providing a balanced and clear assessment of the Group's performance, financial position and prospects through timely reporting of its quarterly and full-year results. The Company's Annual Report and all financial results are accessible to the public on SGXNET and the Company's website. Although the Company is ceasing quarterly reporting of its financial results in conjunction with changes to the Listing Manual which took effect from 7 February 2020, the Company will continue to keep shareholders updated on material developments relating to the Company and the Group, in compliance with its continuing disclosure obligations, as and when appropriate.

The Company does not practice selective disclosure of material information. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts. Financial results and other price sensitive public announcements are presented by the Company through a balanced and understandable assessment of the Group's performance, position and prospects.

## Sufficient information to shareholders

The Company's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Company's business development and financial performance which could have a material impact on the price or value of its shares, so as to enable shareholders to make informed decisions in respect of their investments in the Company.

Further, the Company also believes in providing sufficient and regular information to shareholders and the public beyond mere compliance with prevailing statutory or professional standards.

## Regular dialogue with shareholders

General meetings have been and are still the principal forums for dialogue with shareholders. At these meetings, shareholders are given the opportunity to engage the Board and Management on the Group's activities, financial performance, other business-related matters and plans for the Group's development. Such meetings also allow the Company to gather views or inputs, and address shareholders' concerns.

## Soliciting and understanding views of shareholders

Outside of the financial reporting periods, when necessary and appropriate, the Group CEO will meet analysts and fund managers who seek a better understanding of the Group's operations. The Group CEO also engages with local and foreign investors to garner feedback from the investor community on a range of strategic and topical issues, which provides the Board with valuable insights on investors' views. When opportunities arise, the Group CEO conducts media interviews to give shareholders and the investing public a profound perspective of the Group's business.

## MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

**Principle 13** The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company's stakeholders include employees, contractors and suppliers, government and regulators, community, shareholders and investors. The Company engages these stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Company maintains a corporate website at [www.yeos.com.sg](http://www.yeos.com.sg) to communicate and engage with stakeholders.



# CORPORATE GOVERNANCE REPORT

## CODE OF BUSINESS ETHICS

The Group has adopted a Code of Business Ethics to regulate the standards and ethical conduct of the Group's employees who are required to observe and maintain high standards of integrity.

## DEALINGS IN SECURITIES

The Company has in place a Securities Trading Policy (as may be amended from time to time) modelled to comply with the best practices guidance in Rule 1207(19) of the Listing Manual. Effective from 27 February 2020, the Company will be issuing half yearly reminders to its Directors and employees on the restrictions in dealings in listed securities of the Company during the period commencing one month immediately preceding, and up to the time of announcement of, the Company's results for the half-year and the full financial year. Directors and employees are also reminded not to trade in listed securities of the Company at any time while in possession of unpublished price sensitive information and to refrain from dealing in the Company's securities on short-term considerations.

## MATERIAL CONTRACTS

No material contracts were entered into by the Company or any of its subsidiaries involving the interests of the Group CEO, any Director or controlling shareholder and either (i) still subsisting at the end of the financial year under review or (ii) entered into since the end of the end of the previous financial year.

## INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review which fall under Chapter 9 of the Listing Manual are as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)
		2019 S\$
<u>Far East Organization Group</u> Sale of goods	Associate of controlling shareholder	298,862
<u>Sino Land Company Limited Group</u> Operating lease expense paid/payable Sale of goods	Associate of controlling shareholder	226,456 133,476

The Company does not have any shareholders' mandate for interested person transactions.