

## CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and to describe its corporate governance practices with specific reference to the code of Corporate Governance ("Code") issued by the Ministry of Finance's Corporate Governance Committee ("CGC").

### 1. Board Matters

- 1.1 The Board supervises the management of the Group's business and affairs and approves its strategic operational initiatives, major investments and capital structure. In addition to its statutory responsibilities, the Board approves the Group's financial plans and reviews its financial performance.
- 1.2 The Board held four meetings in 2003. The attendance of the Directors at meetings of the Board and Board Committees, as well as frequency of such meetings, are as follows:

	Board		Board Committee					
	a	b	Audit Committee		Nominating Committee		Compensation Committee	
	a	b	a	b	a	b	a	b
G. A. Menon *	4	4	4	4	–	–	2	2
Wong Ngit Liong	4	4	–	–	2	2	–	–
Cecil Vivian Richard Wong	4	4	4	4	2	2	2	2
Koh Lee Boon	4	4	4	4	2	2	2	2
Goh Geok Ling **	–	–	–	–	–	–	–	–
Goon Kok Loon **	–	–	–	–	–	–	–	–
Tan Choon Huat	4	1	–	–	–	–	–	–
Soo Eng Hiong ***	4	3	–	–	–	–	–	–

Column a : Number of meetings held while as a member

Column b : Number of meetings attended

\* Passed away on 1 December 2003

\*\* Appointed on 27 February 2004

\*\*\* Alternate Director to Tan Choon Huat up to 18 November 2003

- 1.3 The Board comprises seven directors namely Messrs. Wong Ngit Liong (Executive Chairman), Cecil Vivian Richard Wong (Independent, Non-Executive), Koh Lee Boon (Independent, Non-Executive), Goh Geok Ling (Independent, Non-Executive), Goon Kok Loon (Independent, Non-Executive), Tan Choon Huat (Executive) and Soo Eng Hiong (Executive). The independence of each director is reviewed annually by the Nominating Committee ("NC"). The NC adopts the Code's definition of what constitutes an independent director in its review. Key information regarding the Directors is given in this annual report.
- 1.4 The Company's Executive Chairman is Mr. Wong Ngit Liong, a role he assumed following the passing away of Mr. G. A. Menon. Mr. Wong Ngit Liong is also the CEO of the Company. The roles of the Chairman and the CEO are separate. The Chairman's principal role is to manage the business of the Board and Board Committees, and to preserve harmonious relations with the shareholders. The CEO, together with his team of executives, is responsible for making key decisions on the management and operation of the Group.

- 1.5 In order to ensure that the Board is able to fulfill its responsibilities, Management provides annual budget figures, monthly management accounts and other relevant information as and when required. The Directors are provided with the contact details of the Company's senior management and Company Secretaries to facilitate access to them.
- 1.6 The Company will consider appropriate training programmes for Directors to meet their relevant training needs. Orientation programmes are organized for new Directors to ensure that they are familiar with the Company's business and governance policies.
- 1.7 At least one of the Company Secretaries is present at Board meetings. It is the responsibility of the Company Secretaries to ensure that Board procedures and applicable rules and regulations are followed and complied with.

#### **1.8 Nominating Committee ("NC")**

- 1.8.1 The Code prescribes guidelines on various Board matters, including the Board's conduct of its affairs, its composition, membership, performance and access to information. The NC is tasked with the responsibility of overseeing Board membership and monitoring Board performance.
- 1.8.2 The NC's principal functions are to:
- a) ensure that the Board comprises members with suitably diverse backgrounds in order to meet the Company's operational and business requirements;
  - b) establish a formal and transparent process for the appointment of new Directors;
  - c) nominate Directors retiring by rotation for re-election at every Annual General Meeting ("AGM") pursuant to Articles 92 and 93 of the Company's Articles;
  - d) ensure that all Directors submit themselves for re-nomination and re-election at least once every three years;
  - e) assess the Directors' independence;
  - f) evaluate the Board's performance and effectiveness and propose recommendations, if any, for the Board's approval.
- 1.8.3 The NC is chaired by Mr. Koh Lee Boon and comprises two other members, namely Messrs. Cecil Vivian Richard Wong and Wong Ngit Liong.
- 1.8.4 The NC met twice in 2003.
- 1.8.5 The NC evaluates the Board's performance as a whole. The assessment measurements are both quantitative and qualitative in nature, such as the success of the strategic and long-term objectives set by the Board and the effectiveness of the Board in monitoring Management's performance against the goals set. The NC initiated a Board performance evaluation in 2003. Information was gathered through questionnaire to the Directors. The evaluation concluded that:
- i) the quality of information disseminated to the Board members was good;
  - ii) the Board and the Company's management enjoyed a cordial relationship that encourages communication and participation;
  - iii) the Board demonstrated responsibility and proactiveness;
  - iv) there was a high standard of conduct among members of the Board;

- v) the Board conducted its meetings well and decision-making processes were satisfactory; and
- vi) the Board comprised competent directors.

1.8.6 The evaluation process recommended that:

- i) the Board's size be increased to 7 or 8 members, with a majority comprising Independent Directors. This recommendation has been implemented with the recent appointment of 2 new Independent Directors, Messrs. Goh Geok Ling and Goon Kok Loon;
- ii) a formal evaluation process be implemented to assess the CEO's performance; and
- iii) the NC initiates the planning of CEO succession.

1.8.7 The NC has nominated the Directors retiring by rotation and for re-election at the forthcoming Annual General Meeting ("AGM"). In considering the nomination, the NC took into account the contribution of the directors with reference to their attendance and participation at Board and other Board committee meetings as well as the proficiency with which they have discharged their responsibilities.

## 2. Remuneration Matters

### 2.1 Compensation Committee ("CC")

2.1.1 The CC is chaired by Mr. Koh Lee Boon and comprises three other members, namely Messrs. Cecil Vivian Richard Wong, Goon Kok Loon, and Wong Ngit Liong

2.1.2 The CC's principal functions are to:

- a) approve the structure of the compensation programme for Directors and senior management to ensure that the programme is competitive and sufficient to attract, retain and motivate senior management of the required calibre to contribute effectively to the Company;
- b) recommend to the Board base pay levels, benefits and incentive opportunities, and identify components of pay which can best be used to focus management staff on achieving corporate objectives;
- c) undertake specific administrative roles including:
  - (i) reviewing Directors' and senior management's compensation annually and determining appropriate adjustments;
  - (ii) reviewing and recommending the CEO's pay adjustment with respect to other management appointments; and
  - (iii) participating in hiring decisions of senior management appointments in the office of the CEO.

2.1.3 The CC met twice in 2003.

2.1.4 Directors' fees are set in accordance with a remuneration framework of basic fees. Executive Directors do not receive fees. Non-Executive Directors are paid fees, subject to shareholders' approval at the AGM. The CC has recommended that directors' fees be paid for 2003, subject to approval by shareholders at the Company's forthcoming AGM. A breakdown showing the level and mix of each Director's remuneration paid and payable for 2003 is as follows:

Remuneration Band <sup>#</sup> and Name of Director	Fee* (%)	Basic Remuneration* (%)	Variable Remuneration** (%)	Total Remuneration (%)
Below S\$250,000				
- G A Menon	100	–	–	100
- Cecil Vivian Richard Wong	100	–	–	100
- Koh Lee Boon	100	–	–	100
S\$1,000,000 to S\$1,249,999				
- Soo Eng Hiong	–	22	78	100
S\$5,750,000 to S\$5,999,999				
- Tan Choon Huat	–	5	95	100
S\$7,750,000 to S\$7,999,999				
- Wong Ngit Liong	–	8	92	100

2.1.5 Rather than list the names of the top five key executives who are not directors of the Company, the Company has shown a group-wide cross-section of key executives' remuneration in terms of the number of executives earning within bands of S\$250,000 and breakdown of remuneration into fixed and variable components. This should give a macroscopic perspective of the remuneration pattern of the Group, while maintaining confidentiality with respect to each employee's remuneration.

Remuneration Band <sup>#</sup>	No. of Key Executives	Basic Remuneration* (%)	Variable Remuneration** (%)	Total Remuneration (%)
Below S\$250,000	4	43	57	100
S\$250,000 - S\$499,999	7	50	50	100
S\$500,000 - S\$749,999	4	46	54	100
S\$1,000,000 - S\$1,249,999	3	11	89	100
S\$1,250,000 - S\$1,499,999	1	11	89	100
S\$1,500,000 - S\$1,749,999	1	5	95	100
S\$2,000,000 - S\$2,249,999	1	4	96	100
S\$2,250,000 - S\$2,499,999	1	4	96	100
S\$2,500,000 - S\$2,749,999	1	5	95	100
S\$3,250,000 - S\$3,499,999	1	3	97	100
S\$4,250,000 - S\$4,499,999	1	4	96	100
S\$4,500,000 - S\$4,749,999	1	4	96	100
S\$4,750,000 - S\$4,999,999	1	7	93	100
S\$5,250,000 - S\$5,499,999	1	3	97	100
S\$5,750,000 - S\$5,999,999	1	3	97	100

# Remuneration bands within which no directors and executives fall will not be included.

\* These fees are subject to approval by shareholders as a lump sum at the AGM for FY2003.

+ Inclusive of CPF

\*\* Includes CPF, annual wage supplement, bonuses, gains from exercise of share options granted under the Venture Manufacturing (Singapore) Ltd Executives' Share Option Scheme and benefits in kind such as housing and car allowance.

2.1.6 There are no employees in the Group who are immediate family members of a Director or the CEO.

## 2.2 Share Option Committee ("SOC")

- 2.2.1 The Company's Executive Share Option Scheme ("ESOS"), which has been approved by the shareholders of the Company, is administered by the SOC comprising Messrs. Cecil Vivian Richard Wong (Chairman), Koh Lee Boon and Wong Ngit Liong. In discharging its responsibilities, the SOC takes into account performance indicators as established within the Company's ESOS for evaluating the eligibility of employees to participate in the scheme.
- 2.2.2 The SOC met once in FY2003.

## 3. Accountability and Audit

- 3.1 The Board currently provides shareholders with the Company's performance, position and prospects on a quarterly basis via announcements to the SGX and the Company's corporate website.

### 3.2 Audit Committee ("AC")

- 3.2.1 The AC comprises four members, all of whom are non-executive directors. They are Messrs. Cecil Vivian Richard Wong (Chairman), Koh Lee Boon, Goh Geok Ling and Goon Kok Loon.
- 3.2.2 The functions of the AC are to:
- a) recommend to the Board the re-appointment of external auditors, to approve the remuneration of the external auditors, and to review the scope and results of the audit and its cost effectiveness;
  - b) inquire of other committees, the Management, Head of Internal Audit ("IA") and external auditors about significant risks and exposure that exist, and assess the steps Management has taken to minimize such risks to the Company;
  - c) review with the Chief Financial Officer and external auditors at the completion of the quarterly reviews and annual examination:
    - (i) the Company's quarterly, interim and annual financial statements and related footnotes, including accounting principles;
    - (ii) the external auditors' audit of the financial statements and reports thereto;
    - (iii) the adequacy of the Company's system of accounting controls;
    - (iv) the assistance given by the Management to external auditors;
    - (v) any related significant findings and recommendations of the external auditors and internal auditors together with Management's responses thereto; and
    - (vi) any significant changes required in the external auditors' plan, serious difficulties or disputes with Management encountered during the course of the audit and their resolution, and any other matters related to the conduct of the audit.
  - d) consider and review with Management and the Head of IA annually:
    - (i) significant findings during the year and Management's responses thereto;
    - (ii) the effectiveness of the Company's internal controls over management, business and service systems and practices;
    - (iii) any changes required in the planned scope of their audit plan and difficulties encountered in the course of their audit, including any restrictions on the scope of their work or access to required information; and
    - (iv) the internal audit department budget and staffing.

- e) review legal and regulatory matters that may have a material impact on the financial statements, related exchange compliance policies, and programmes and reports reviewed from regulators;
- f) meet with the Head of IA, the external auditors, other committees and Management in separate executive sessions to discuss issues that these groups believe should be discussed privately with the AC; and
- g) report actions and minutes of the AC to the Board with such recommendations as the AC may deem appropriate.

3.2.3 The AC met four times in 2003.

3.2.4 The AC has full access to, and the co-operation of Management. The external auditors and Head of IA have unrestricted access to the AC.

3.2.5 The AC meets with the external auditors, without the presence of Management, at least once a year.

3.2.6 The AC has reviewed the Company's risk assessment and, based on management controls in place, is satisfied that there are adequate controls within the Company. The AC expects risk assessment to be a continuing process.

3.2.7 The AC has reviewed all non-audit services provided by the external auditors during the year and is of the opinion that the provision of such services will not affect the independence of the external auditors.

3.3 The Company's IA function was established in 2002. The IA Department reports directly to the Chairman of the AC on audit matters, and to the Chief Financial Officer on administrative matters. The AC reviews and approves the annual IA plans and resources to ensure that the IA Department has the necessary resources to adequately perform its function.

3.4 The IA Department is responsible for the review of the effectiveness of the internal control system and procedures, such as financial, operational and compliance controls, for the Company as well as its subsidiaries (both local and overseas). The IA will meet the standards set by nationally or internationally recognized professional bodies.

## 4. Communication with Shareholders

4.1 The Company conveys its financial performance, position and prospects on a quarterly basis via announcements to the SGX and the Company's corporate website. The Company also holds briefing sessions with the media and the investment community when its results are announced.

4.2 The Company does not practise selective disclosure. Price-sensitive information is first publicly released, either before the Company meets with any group of investors or analysts, or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period and are available on the Company's corporate website.

4.3 The Company has a corporate communications team to communicate with investors on a regular basis and attend to their queries. All shareholders of the Company receive its annual report and a notice of AGM. The notice is also advertised in the newspapers. At AGMs, shareholders are given the opportunity to air their views and ask directors, Management or external auditors questions regarding the Company. All directors, external auditors and company secretaries are present at every AGM.

4.4 The Articles currently do not provide for shareholders to vote at AGMs in absentia such as by mail, email or fax. The Company will consider implementing the relevant amendment to the Articles if the Board is of the view that there is demand for same, and after the Company has evaluated and put in place the security and other measures necessary to facilitate absentia voting and protect against errors, fraud and other irregularities.

## 5. Internal Code on Dealings in Securities

- 5.1 An internal code on dealing in the securities of the Company has been issued to directors and officers setting out the implications on insider trading. The Company's directors and officers are not allowed to deal in the Company's shares during the period commencing at least one month before the announcement of the Company's results and ending on the date of the announcement of the results.
- 5.2 The directors and officers are not expected to deal in the Company's securities on considerations of a short-term nature.
- 5.3 Directors and officers are required to observe insider trading provisions under the Securities and Futures Act at all times even when dealing in the Company's securities within the permitted periods. To enable the Company to monitor such transactions, directors of the Company are required to report all dealings to the Company Secretaries.

## 6. Material Contracts

- 6.1 There are no material contracts entered into by the Company or any of its subsidiaries involving the interests of the CEO or any director.

VENTURE'S EFFORT IN PURSUING WORLD-CLASS EXCELLENCE IN ALL ASPECTS OF ITS BUSINESS HAS BEEN SIGNIFICANTLY RECOGNIZED BY THE FINANCIAL MEDIA. SUCH RECOGNITION EXTENDS ALSO TO ITS CORPORATE GOVERNANCE INITIATIVES, AS TESTIFIED BY THE FOLLOWING ACCOLADES AWARDED TO THE COMPANY IN 2003 :

- Euromoney – Best Asian Companies
- FinanceAsia – Singapore's Best Managed Companies
- The Asset – A Leader in Corporate Governance in Singapore
- Euromoney – Best in Corporate Governance in Singapore
- Asiamoney – Best in Corporate Governance in Singapore