

# REPORT ON CORPORATE GOVERNANCE

CH Offshore Ltd. (“**CHO**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recognise the importance of, and is committed to, maintaining high standards of corporate governance to ensure greater transparency and maximize long-term shareholder value.

As the Company’s shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Company seeks to comply with the listing rules of the SGX-ST as prescribed in the Listing Manual of the SGX-ST (“**Listing Rules**”) and is guided in its corporate governance practices by the revised Code of Corporate Governance issued in 2018 (“**Code**”).

The Board of Directors (“**Board**”) is pleased to outline the main corporate governance framework and practices of the Company in this report, with specific reference made to each of the principles and provisions as set out in the Code. This report describes the Company’s corporate governance practices that were in place throughout the financial year ended 31 December 2019. Where there were variations in the Company’s corporate governance practices from the provisions as set out in the Code (“**Provisions**”), explanation as to how the Company’s practices were consistent with the intent of the Principle in question is provided in the relevant paragraph of this report.

## **(A) 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.**

The Board oversees the business affairs of the Group. It provides leadership and guidance to Management, sets strategic objectives, ensures that the necessary financial and human resources are in place and reviews management performance with a view to achieving long-term success for the Company. The Board also ensures the adequacy of the Group’s control and risk framework and standards and ensures that obligations to its shareholders and other key stakeholders are understood and met.

The long-term vision and strategy for the Company is formulated and discussed at Board level and its implementation, including articulation to shareholders and employees, is tasked to the Management led by the Executive Directors. Management works with, and is accountable to, the Board.

#### **Provision 1.1 of the Code**

All Directors objectively discharge their duties and responsibilities as fiduciaries and take decisions in the best interests of the Group at all times. A Director who is interested in a transaction or proposed transaction will declare his/her interest and abstain from deliberation unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. Directors, facing conflicts of interest, are required to abstain from voting in relation to conflict-related matters.

The Board has put in place a Code of Conduct Policy and Procedures to assist and guide the Directors and employees in acting honestly, ethically and respectfully and in identifying, disclosing and managing conflict of interest situations. The Code of Conduct Policy and Procedures further serve to emphasise the Group’s commitment to ethics and compliance with the law, for the protection of the Company’s interest and the promotion of transparency for the benefit of shareholders.

The Board has also adopted an Anti-Bribery & Corruption Policy detailing the Group’s policy and procedures with respect to the conduct of the Group’s business and operations in an ethical, honest, fair and professional manner. The Anti-Bribery & Corruption Policy applies to all Directors, officers, employees and contract workers (including crew) and, where necessary and appropriate, outside parties acting on behalf of the Group, including but not limited to consultants, representatives, agents and intermediaries engaged by the Group. A Gift & Hospitality Policy has been put in place to set out the Group’s specific thresholds in relation to appropriate and acceptable gifts and hospitality to offer to or receive from clients, vendors and other relevant third parties.

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## **Provision 1.2 of the Code**

The Company recognises the importance of appropriate training for its Directors. Newly-appointed Directors will be given briefings and an orientation on the business activities of the Group and its strategic directions, their duties and responsibilities as Directors, as well as a board meeting calendar for the year. They are furnished with information outlining their duties and obligations. From time to time, the Directors are provided with updates on any changes in relevant laws and regulations, code of corporate governance, financial reporting standards and industry related matters. In addition, the Directors are also encouraged to attend relevant training programmes, seminars and workshops to enhance their skills and knowledge, at the expense of the Company. At the Audit Committee (“**AC**”) meetings, the external auditors would update the AC and the Board on new or revised accounting standards which are applicable to the Company or the Group.

Directors with no prior experience as a Director of a listed company have attended external training conducted by the Singapore Institute of Directors. No new Director was appointed in 2019.

The Nominating Committee (“**NC**”) reviews and makes recommendations on the training and professional development program to the Board. The Board was apprised of the training programmes attended by each Director in 2019.

## **Provision 1.3 of the Code**

The Board’s primary role is to protect and enhance long-term shareholders’ value. It is responsible for the Group’s overall performance objectives, key operational initiatives, financial plans and annual budget, major investments, divestments and funding proposals, quarterly and full year financial performance reviews, risk management and corporate governance practices. Each Director exercises his/her objective judgement to act in good faith and in the best interest of the Company to enhance the long-term value of the Group to its shareholders. The Board also considers sustainability issues, e.g. environmental, governance and social factors in the formulation of Group strategies.

The Company has established financial authorisation and approval limits for borrowings, investments, acquisitions, disposals, capital and operating expenditures. Apart from its fiduciary duties and statutory responsibilities, the Board evaluates and approves important matters such as material acquisitions and disposal of assets, financial plans, capital expenditures, and major funding and investment proposals. It also reviews and approves the financial statements and annual reports and authorises announcements of financial results to be issued.

There is a formalised delegation of authority matrix that sets out financial approval limits for the Board and Management regarding operational expenditure, capital expenditure, investments, financial costs and cheque signatory arrangements.

## **Provision 1.4 of the Code**

The Board is supported by the Board Committees which were established to assist the Board in discharging its responsibilities of overseeing the Group’s affairs and enhancing corporate governance. These Board Committees are the AC, the Remuneration Committee (“**RC**”) and the NC. The Board delegates specific responsibilities to these Board Committees which operate within specified terms of reference setting out the scope of their duties and responsibilities and procedures governing the manner in which each Board Committee is to operate and how decisions are to be taken. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations for the Board’s endorsements, the ultimate responsibility on all matters lies with the Board.

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## Provision 1.5 of the Code

The Board meets at least four times a year and holds special meetings at such other times as may be necessary to address any ad hoc significant matters. To facilitate Directors' attendance at meetings, the dates of Board and Board Committee meetings as well as annual general meetings are scheduled in advance. Matters before the Board are diligently deliberated by the Board to ensure that the interests of the Company are protected.

Meetings via telephone or videoconference are permitted under the Company's Constitution. In between Board meetings, important matters are discussed in person or via telephone and are tabled for Board decision via circulating resolutions in writing. Supporting memorandum or papers are circulated to the Directors where relevant. Directors with multiple Board representations would ensure that sufficient time and attention are given to the affairs of the Company.

Attendance at Board/ Board Committee Meetings during the financial year ended 31 December 2019<sup>(1)</sup>:-

Directors	Board		AC		RC		NC	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr Thia Peng Heok George <sup>(2)</sup>	4	4	4	4	1	1	1	1
Dr Benety Chang	4	4	4	4*	1	1*	1	1
Ms Jeanette Chang <sup>(3)</sup>	4	4	4	4*	1	1*	1	1*
Mr Heath McIntyre	4	4	4	4*	1	1*	1	1*
Mr Tan Kiang Kherng	4	4	4	4*	1	1*	1	1*
Mr Tan Pong Tyea	4	3	4	3*	1	1*	1	1*
Mr Tan Kian Huay <sup>(2)(4)</sup>	4	3	4	3	1	0	1	0
Mr Wan Hin Weng <sup>(4)</sup>	4	4	4	4	1	1	1	1*

### Notes:

- <sup>(1)</sup> Refers to meetings held/attended while each Director was in office.
- <sup>(2)</sup> Mr Tan Kian Huay was appointed as NC Chairman in place of Mr Thia Peng Heok George on 15 Feb 2019.
- <sup>(3)</sup> Ms Jeanette Chang was appointed as additional RC member on 15 Feb 2019.
- <sup>(4)</sup> Mr Wan Hin Weng was appointed as RC Chairman in place of Mr Tan Kian Huay on 15 Feb 2019.
- \* Attended as invitees.

## Provision 1.6 of the Code

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management. All Directors have unrestricted access to the Company's records and information to enable them to keep abreast of the Group's financial position. Detailed Board and Board Committee papers are prepared for each Board and Board Committee meeting and are circulated before each meeting. The Board and Board Committee papers include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board and Board Committee meetings. Directors are at liberty to request from Management additional information as needed to make informed decisions.

If a Director was unable to attend a Board or Board Committee meeting, he/she would still receive all the papers and materials for discussion at that meeting. The relevant Director would review them and advise the Chairman or Board Committee Chairman of his/her views and comments (if any) on the matters to be discussed so that they may be conveyed to other members at the meeting.

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## **Provision 1.7 of the Code**

All Directors have separate and independent access to all levels of senior executives in the Group and the Company Secretary and are encouraged to speak to other employees to seek additional information if they so require.

The Company Secretary attends all Board meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The appointment and the removal of the Company Secretary rest with the Board as a whole.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

## **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.**

As at the date of this report, the Board comprises of eight (8) Directors: three (3) Non-Executive Independent Directors, three (3) Non-Executive Directors and two (2) Executive Directors. The Directors of the Company as at the date of this report are as follows:

Mr Thia Peng Heok George	Non-Executive Independent Director (Chairman)
Dr Benety Chang	Chief Executive Officer and Executive Director
Mr Heath McIntyre	Executive Director
Ms Jeanette Chang	Non-Executive Director
Mr Tan Kiang Kherng	Non-Executive Director
Mr Tan Pong Tyea	Non-Executive Director
Mr Tan Kian Huay	Non-Executive Independent Director
Mr Wan Hin Weng	Non-Executive Independent Director

## **Provisions 2.1, 2.2 & 2.3 of the Code**

A Director who is independent in conduct, character and judgement and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement in the best interests of the Group, is considered to be independent.

The NC reviews the independence of each Director on an annual basis, and as and when circumstances require, by taking into account, inter alia, the criteria provided in the Listing Manual and the Code, the existence of any relationships between such Director and the Group, its related corporations, its substantial shareholders and officers and if applicable, whether such relationships can interfere, or be reasonably perceived to interfere, with the exercise of such Director's independent judgment. The NC has determined that all the Independent Directors are independent and have no relationship (whether familial, business, financial, employment, or otherwise) with the Company, its related corporations, substantial shareholders or officers, which could interfere or be perceived to interfere with the Director's independent judgment.

With more than one-third of the Board comprising of Independent Directors, the Group is in compliance with Rule 210(5)(c) of the SGX Listing Rules as the Board Chairman is an Independent Director.

None of the Independent Directors have served on the Board beyond 9 years from the date of first appointment.

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## **Provision 2.4 of the Code**

The NC and Board are of the view that the size and level of independence of the Board is appropriate and that the Board comprises of Directors who as a group have an appropriate balance and mix (as well as breadth and depth) of skills, knowledge, experience, and diversity of thought, so as to foster constructive and robust debate and avoid groupthink.

The current Board comprises of one (1) female Director and seven (7) male Directors with an age group ranging from 43 to 71 years old. Each Director has been appointed based on the strength of his/her calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. The Board provides diversity of expertise and knowledge in areas such as marine and offshore industry, accounting or finance, business or management experience, human resource, risk management, mergers and acquisitions, strategic planning experience and various other industry knowledge, required for the Board and the Board Committees to be effective.

Although the Company does not have a formal board diversity policy, due consideration would be given to the benefits of diversity and new Directors will continue to be selected on merits based on objective criteria. The Board does not intend to appoint persons as Directors by reason of their gender or age on the Board or simply to meet quotas. The Board has reservations on setting a quota as a target, as it may detract from the more fundamental principle that the candidate must be of the right fit and meet the relevant needs and vision of the Board and Company at the material time.

## **Provision 2.5 of the Code**

Non-Executive Directors and Independent Directors meet without the presence of Management from time to time and on a need basis, and any relevant feedback would be provided to the Board and/or Chairman, as appropriate. The Company also benefits from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board Committee 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.**

## **Provision 3.1 of the Code**

Different individuals assume the Chairman and the Chief Executive Officer ("CEO") functions in CHO. There is a clear separation of the roles and responsibilities between the Chairman and the CEO. Mr Thia Peng Heok George is the Chairman of the Board and is an Independent Director. Dr Benety Chang is the CEO of the Group. The Board Chairman and the CEO are not related to each other.

## **Provision 3.2 of the Code**

The Chairman is responsible for leading and ensuring the effectiveness of the Board. This includes promoting a culture of openness and debate at the Board, ensuring that the members of the Board work together with integrity and competency, facilitating the effective contribution of all Directors and promoting high standards of corporate governance. The Chairman also ensures appropriate relations within the Board and between the Board and Management, engaging Management in constructive debate on strategy, business operations, enterprise risk and other plans. The Chairman also ensures effective communication with shareholders and other stakeholders.

The CEO is responsible for the leadership and overall management of the affairs of the Group. The CEO also sets strategic objectives and implement strategies to achieve the long-term sustainable growth of the Group and value creation.

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## **Provision 3.3 of the Code**

Given that Mr Thia Peng Heok George is an Independent Director, the position of Lead Independent Director is not required in line with the Code.

## **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.**

## **Provision 4.1 of the Code**

The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties.

The NC's primary functions are to evaluate and to review nominations for appointment and re-appointment to the Board and the various committees, to assess the effectiveness of the Board, to nominate any Directors for re-election at the Annual General Meeting ("AGM"), having regards to the Director's contribution and performance (such as attendance, preparedness, participation and candor), to determine whether or not the Director is independent, to review Board succession plan for Directors and to review the training and professional development programs for the Board.

## **Provision 4.2 of the Code**

As at the date of this report, the NC is chaired by Mr Tan Kian Huay with Dr Benety Chang and Mr Thia Peng Heok George as members. The majority of the NC members, including the Chairman, are Independent Directors.

## **Provisions 4.3, 4.4 & 4.5 of the Code**

In the event that the appointment of a new Director is required, the NC taps on the resources of the Directors' contacts and/or engage external consultants to source for potential candidates. The NC will seek to identify the competence required for the Board to fulfil its responsibilities and may engage recruitment consultants or other independent experts to undertake research on or assess potential candidates for new positions on the Board. The NC then meets with the shortlisted potential 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 appointment as Director.

The NC also conducts an annual review of the independence of a Director having regard to the circumstances set forth in Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rule of SGX-ST. The NC has reviewed the independence of the Directors and affirmed that Mr Thia Peng Heok George, Mr Wan Hin Weng and Mr Tan Kian Huay are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his independence.

The NC also determines annually whether a Director with multiple board representations and other principle commitments is able to and has adequately discharged his/her duties as a Director of the Company. The NC is of the view that, setting a maximum number of listed company board representations a Director should have is not meaningful, as the contribution of each Director would depend on their individual circumstances, including whether they have a full-time vocation or other responsibilities. The Board shares this view.

Notwithstanding the number of listed company board representations and other principal commitments which the Directors held, the NC was of the view that the Directors have been able to devote sufficient time and attention to the affairs of the Company and they are able to fulfill their duties as Directors of the Company. There is no Alternate Director on the Board.

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At each AGM of the Company, not less than one third of the Directors for the time being (being those who have been longest in office since their last re-election) are required to retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM. Also, all newly appointed Directors during the year will hold office only until the next AGM and will be eligible for re-election.

The NC, with each NC member abstaining in respect of his own re-election, has recommended to the Board the nomination of Directors retiring under Article 89 of the Company's Constitution, namely Mr Thia Peng Heok George, Mr Heath McIntyre and Mr Tan Kiang Kherng, for re-election at the forthcoming AGM of the Company. The Board has accepted the recommendations of the NC, and accordingly, Mr Thia Peng Heok George, Mr Heath McIntyre and Mr Tan Kiang Kherng will be offering themselves for re-election.

The details of Mr Thia Peng Heok George, Mr Heath McIntyre and Mr Tan Kiang Kherng who will be retiring by rotation at the forthcoming AGM are set out on pages 122 to 124 of this Annual Report

Key information regarding all the Directors required under Provision 4.5 of the Code is set out below:

Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships in Other Listed Companies and Other Principal Commitments	Past Directorships in Other Listed Companies held over the preceding 3 years
Mr Thia Peng Heok George	30/03/2015	21/09/2018	<p><u>Present Directorship in Other Listed Companies:</u> Independent Director of Yoma Strategic Holdings Limited</p> <p><u>Other Present Principal Commitments:</u> Member of Board Of Trustees, National Cancer Centre Of Singapore Member of Board Of Governors, Singapore Institute Of Management</p>	DiSa Limited
Dr Benety Chang	27/08/2018	21/09/2018	<p><u>Present Directorship in Other Listed Companies:</u> Executive Director of Baker Technology Limited</p> <p><u>Other Present Principal Commitments:</u> Nil</p>	Nil
Mr Heath McIntyre	27/08/2018	21/09/2018	<p><u>Present Directorship in Other Listed Companies:</u> Nil</p> <p><u>Other Present Principal Commitments:</u> Managing Director of BT Investment Pte Ltd, a subsidiary of Baker Technology Limited</p>	Nil
Ms Jeanette Chang	27/08/2018	21/09/2018	<p><u>Present Directorship in Other Listed Companies:</u> Executive Director of Baker Technology Limited</p> <p><u>Other Present Principal Commitments:</u> Chief Executive Officer of Baker Technology Limited</p>	Nil

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Name of Director	Date of First Appointment	Date of Last Re-election	Present Directorships in Other Listed Companies and Other Principal Commitments	Past Directorships in Other Listed Companies held over the preceding 3 years
Mr Tan Kiang Kherng	27/08/2018	21/09/2018	<u>Present Directorship in Other Listed Companies:</u> Nil  <u>Other Present Principal Commitments:</u> Chief Financial Officer of Baker Technology Limited	Nil
Mr Tan Pong Tyea	01/06/2010	28/03/2019	<u>Present Directorship in Other Listed Companies:</u> Executive Director of Falcon Energy Group Limited  <u>Other Present Principal Commitments:</u> Chief Executive Officer & Chairman of Falcon Energy Group Limited	
Mr Tan Kian Huay	30/03/2015	28/03/2019	<u>Present Directorship in Other Listed Companies:</u> Nil  <u>Other Present Principal Commitments:</u> Director of Mercatus Co-operative Limited	
Mr Wan Hin Weng	03/10/2018	28/03/2019	<u>Present Directorship in Other Listed Companies:</u> Nil  <u>Other Present Principal Commitments:</u> Business owner of RenZhi (fka Kuai Lian)	

## 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.**

### **Provisions 5.1 & 5.2 of the Code**

The Board noted the Code's recommendation that the NC be responsible for assessing the Board as a whole, and that of each of the Board Committees and individual Directors.

The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist. The Board Assessment Checklist takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control and the Board's relationship with Management. The NC also assesses the Board's performance based on a set of quantitative criteria and financial performance indicators as well as share price performance which allow for comparison with industry peers.



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The NC assesses each Board Committee's effectiveness as a whole by completing Board Committee Assessments for each Board Committee.

The NC also evaluates the performance of each Director. The criteria include each Director's time commitment for Board and Board Committee meetings, level of participation, contribution and deliberation of issues at meetings, knowledge and understanding of the Group's major risk factors as well as performance of tasks delegated to the Director.

The NC is of the view that the primary objective of the assessment exercise is to create a platform to identify the Board's strengths and make recommendations for improvements to be tabled to the Board for discussion and comment with a view to strengthening the effectiveness of the Board. The Company does not engage an external facilitator in respect of the assessment of performance of the Board and Board Committees. The NC has full authority to engage external facilitators to assist in carrying out the evaluation process, if the need arises.

The NC has reviewed and is satisfied with the performance and effectiveness of the Board and the Board Committees and the contribution by individual Directors to the effectiveness of the Board for the financial year ended 31 December 2019.

## **(B) 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.**

#### **Provision 6.1 of the Code**

The RC has adopted written terms of reference defining its membership, administration and duties.

The primary functions of the RC are to review and recommend to the Board a framework of remuneration for the Directors, CEO and Key Management Personnel, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits in kind, to perform annual review of the remuneration of employees related to the Directors and substantial shareholders (if any) and to implement and administer the CH Offshore Employee Option Scheme.

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/her.

The recommendations of the RC have been submitted for endorsement by the entire Board of Directors.

#### **Provision 6.2 of the Code**

As at the date of this report, the RC is chaired by Mr Wan Hin Weng with Mr Thia Peng Heok George, Mr Tan Kian Huay and Ms Jeanette Chang as members, all of whom are Non-Executive Directors and the majority of whom, including the Chairman, are Independent Directors.

#### **Provision 6.3 of the Code**

The RC reviews the Company's obligations under the service agreements of the Executive Directors and Key Management Personnel that would arise in the event of termination of these service agreements to ensure that such service agreements contain fair and reasonable termination clauses.

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## Provision 6.4 of the Code

In discharging its functions, the RC may, at the Company's expense, obtain such independent legal and other professional advice as it deems necessary. The Company has not engaged any remuneration consultants during the year under review.

## 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.**

## Provisions 7.1 & 7.3 of the Code

In setting remuneration packages, the Company takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Executive Directors and Key Management Personnel. Consideration is also given to whether the remuneration packages are competitive and sufficient to ensure that the Company is able to attract and retain the best available executive talent, without being excessively generous, and be able to motivate the Executive Directors to provide good stewardship of the Company and, together with Key Management Personnel, to successfully manage the Company for the long term.

The Executive Directors do not receive Directors' fees. The remuneration for the Executive Directors and Key Management Personnel comprises a base/fixed salary, allowance and a variable performance related bonus, which is designed to align the interests of the Executive Directors and Key Management Personnel with those of shareholders and promote the long-term success of the Group.

The RC reviews the remuneration of Directors and Key Management Personnel on an annual basis to ensure that it commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Company.

CHO Employee Share Option Scheme (the "Scheme") was implemented on 27 May 2016 as an incentive plan for employees of the Group based on individual performance. The primary objectives of the Scheme include retention of key employees of the Group whose contributions are essential to the long-term growth and profitability of the Group, instilling loyalty and a stronger identification by participants with the long-term goals of the Company and attraction of potential employees with relevant skills to contribute to our Group creating value for the shareholders so as to align the interests of participants to the interests of the shareholders. Details of the Scheme are disclosed under the Directors' Statement set out in pages 56 to 59 of this Annual Report.

To promote the long-term success of the Company, none of the Executive Directors' and Key Management Personnel's remuneration is tied solely and specifically to the profitability of the Company or the Group.

## Provision 7.2 of the Code

The RC adopted a Director's fee framework in which the Independent Directors will receive Directors' fees in accordance with their contributions, taking into account factors such as effort and time spent, roles and responsibilities and the need to pay competitive fees to attract, retain and motivate the Independent Directors. The Independent Directors' fees comprise a basic fee and additional fees for appointment as Chairman of the respective Board Committees as per the table below.

### Basic Fee for Independent Director \$40,000 per annum

Audit Committee Chairman	50% of Basic Fee
Remuneration/Nominating Committee Chairman	25% of Basic Fee

The Independent Directors are not compensated to the extent that their independence may be compromised.

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In addition to the above Independent Director's fee, the RC and the Board proposed a fixed monthly Director's Fee for each Shareholders' Nominated Directors to be paid quarterly in arrears for shareholders' approval at the forthcoming AGM.

The Company noted that the Code has recommended the incorporation of appropriate "claw-back mechanisms" to allow the Company to reclaim the variable incentive-based component of remuneration from Directors and Key Management Personnel. There are, at present, no provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself of remedies against the Executive Directors in the event of such breach of fiduciary duties.

## 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.**

### Provisions 8.1(a) and 8.3 of the Code

The Directors' remuneration disclosed below is shown in bands of S\$250,000.

### Remuneration paid or accrued to Directors for financial year ended 31 December 2019

Name of Directors	Fixed Component (%) <sup>(1)</sup>	Bonus Component (%) <sup>(2)</sup>	Directors' Fees (%)	Total Compensation (%)
<b><u>S\$250,000 and up to S\$500,000</u></b>				
Dr Benety Chang <sup>(3)</sup>	93	7	-	100
<b><u>Below S\$250,000</u></b>				
Mr Thia Peng Heok George	-	-	100	100
Mr Tan Kian Huay	-	-	100	100
Ms Jeanette Chang <sup>(3)</sup>	-	-	100	100
Mr Heath McIntyre	93	7	-	100
Mr Tan Kiang Kherng	-	-	100	100
Mr Tan Pong Tyea	-	-	100	100
Mr Wan Hin Weng	-	-	100	100

#### Notes:

<sup>(1)</sup> Fixed component refers to fixed/base salary earned, employer CPF and transport allowance.

<sup>(2)</sup> Bonus component refers to Annual Wage Supplement and variable performance related bonus.

<sup>(3)</sup> Ms Jeanette Chang, a Non-Executive Director, is the daughter of Dr Benety Chang, who is the CEO and Executive Director of the Company.

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## Provisions 8.1(b) and 8.3 of the Code

### Remuneration paid or accrued to the Key Management Personnel for financial year ended 31 December 2019

The Key Management Personnel' remuneration disclosed below is shown in bands of S\$250,000.

Name of Key Management Personnel	Fixed Component (%) <sup>(1)</sup>	Bonus Component (%) <sup>(2)</sup>	Benefits (%) <sup>(3)</sup>	Total Compensation (%)
<b>S\$250,000 and up to S\$500,000</b>				
Mr Victor Gordon Pinto	93	7	-	100
<b>Below S\$250,000</b>				
Mr Lim Tze Kern Kenny	93	7	-	100
Mr Lee Mun Keat <sup>(4)</sup>	100	-	-	100
Ms Wong Soo Pin Evelyn <sup>(5)</sup>	98	-	2	100

#### Notes:

- <sup>(1)</sup> Fixed component refers to fixed/base salary earned, employer CPF and transport allowance.  
<sup>(2)</sup> Bonus component refers to Annual Wage Supplement and variable performance related bonus.  
<sup>(3)</sup> Benefits refer to paid annual leave.  
<sup>(4)</sup> Joined on 2 Dec 2019.  
<sup>(5)</sup> Resigned on 1 Nov 2019.

The aggregate remuneration paid to the Key Management Personnel for FY2019 was S\$733,000.

The remuneration of each individual Director and Key Management Personnel (who are not also Directors of the Company) is not disclosed in dollar terms as remuneration is a commercially sensitive matter, given that the Company operates in a highly competitive environment where potential poaching of employees by competitors is fairly common. The Board is of the view that the deviation from Provision 8.1 of the Code will not be prejudicial to the interest of shareholders.

As at the date of this Corporate Governance Report, there were 3 Key Management Personnel in the Company.

There were no termination, retirement and post-employment benefits granted to any Director, the CEO, Executive Director and Key Management Personnel for the financial year ended 31 December 2019.

## Provision 8.2 of the Code

Save as disclosed in the above remuneration table for Directors, there is no employee in the Group who is an immediate family member of any of the Directors or the CEO and whose remuneration exceeded S\$100,000 during FY2019. "Immediate family member" means spouse, child, adopted child, step-child, brother, sister and parent.

# REPORT ON CORPORATE GOVERNANCE

## (C) 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.**

#### **Provision 9.1 of the Code**

The Board has overall responsibility for the governance of the Group's risk management and internal controls. The Risk Management Committee ("**RMC**") has been set up to assist the Board in performing reviews and updates of the risk register to identify new risks and re-rank the severity and the applicability of the existent risks. The RMC comprises the CEO, Executive Director, Financial Controller ("**FC**"), Executive Officer(s) and all departmental heads.

The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The Board considers the nature and extent of the significant risks which the Company may take in achieving its strategic objectives and value creation; and reviews and guides Management in the formulation of risk policies and processes to effectively identify, evaluate and manage significant risks, to safeguard shareholders' interests and the Group's assets.

The Board has implemented an Enterprise Risk Management Framework for the identification, assessment, monitoring and reporting of significant risks. The Company maintains a risk register which identifies the material risks facing the Group and the internal controls in place to manage or mitigate those risks. The RMC presents the risk register (with revisions, if any) to the Board for review and discussion at least twice a year.

The work of the internal auditors and the report of the external auditors have enabled the identification of key risks which are reported to the AC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by Management to address the underlying risks. The internal audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, information technology and compliance risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

All audit findings and recommendations made by the internal and external auditors are reported to the AC and significant findings are discussed at the AC meetings. Management follows up on all recommendations to ensure timely remediation of audit issues and reports the status to the AC.

#### **Provisions 9.2(a) & 9.2(b) of the Code**

The Board has received written assurance from the CEO and the FC as well as the relevant Key Management Personnel that:

- (a) The financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2019 give a true and fair view of the Group's operations and finances; and
- (b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology controls, and risk management systems.

# REPORT ON CORPORATE GOVERNANCE

Based on the risk management and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and the Board Committees as well as the written assurance received from the CEO and the FC as well as the relevant Key Management Personnel, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate and effective as at 31 December 2019 to address financial, operational, compliance and information technology controls and risk management systems, which the Group considers relevant and material to its operations.

The Board noted that the system of risk management and internal controls established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system of risk management and internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

## **Audit Committee**

### **Principle 10:**

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

### **Provision 10.1 of the Code**

The primary functions of the AC are:

- Review with the external auditors the audit plan including the nature and scope of the audit before its commencement, their audit reports and Management letters and Management's response;
- Review significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance. This includes review of quarterly, half-year and annual financial statements before submission to the Board for its approval;
- Review the independence and objectivity of the external auditors taking into consideration the requirements under the Accountants Act (Chapter 2) of Singapore;
- Review the nature and extent of non-audit services performed by the external auditors;
- Examine the scope of internal audit procedures and the results of the internal audit;
- Review the effectiveness of the Company's internal audit function and ensure that it is adequately resourced and has appropriate standing within the Company;
- Review the adequacy of the Company's internal controls, including financial, operational, compliance and information technology controls and risk management systems, and report on any pertinent aspects of risks thereto, and ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually and such a review can be carried out by the internal and/or external auditors;
- Review the assistance given by Management to the external and internal auditors;
- Meet with the external and internal auditors without the presence of Management at least annually;
- Review interested persons' transactions falling within the scope of Chapter 9 of the Listing Manual of the SGX-ST;
- Make recommendations to the Board on the appointment/re-appointment/removal of the external auditor, and approve the audit fees and terms of engagement of the external auditors;

# REPORT ON CORPORATE GOVERNANCE

- Review arrangement by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;
- Review the assurance from the CEO and FC on the financial records and financial statements;
- Investigate any matter which falls within the AC's terms of reference, having full access to and co-operation by Management and the full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly;
- Undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- Undertake such other functions and duties as may be prescribed by statute and the Listing Rules or recommended by the Code and by such amendments made thereto from time to time. Apart from the duties listed above, the AC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore or other applicable law, rule or regulation, which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The AC has been given full access to and has obtained the co-operation of Management. The AC has reasonable resources to enable it to discharge its functions properly.

The AC met four times during the period under review.

During the year, the AC reviewed the quarterly and full year results of FY2019, including the adequacy of disclosures as well as the key changes in accounting policies applied. In the review of the financial statements, the AC has discussed the Key Audit Matters with Management and the external auditor. The AC concurs with the basis and conclusions in the auditors' report with respect to Key Audit Matters.

## **Provision 10.2 of the Code**

As at the date of this report, the AC is chaired by Mr Thia Peng Heok George with Mr Tan Kian Huay and Mr Wan Hin Weng as members, all of whom are Independent Directors.

Mr Thia Peng Heok George is a Certified Public Accountant and practised as an accountant with more than 20 years' experience in merchant banking and financial services. All members of the AC are appropriately qualified, with at least two members having the requisite financial management expertise and experience.

## **Provision 10.3 of the Code**

None of the members nor the Chairman of the AC are former partners or directors of the Group's auditing firm.

## **Provision 10.4 of the Code**

The internal audit function is outsourced to MS Risk Management Pte Ltd, an associate of international public accounting firm, Messrs Moore Stephens LLP. The internal auditors report to the Chairman of the AC on any material weaknesses and risks identified during the course of the internal audit, which will also be communicated to Management. Management will accordingly update the AC on the status of the remedial action plans.

# REPORT ON CORPORATE GOVERNANCE

The internal auditors meet the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC has reviewed the adequacy of the internal audit function and is satisfied that the Company's internal audit function is staffed by qualified and experienced personnel.

The AC ensures that Management provides good support to the internal auditors and provides adequate access to documents, records, properties and personnel when requested in order for the internal auditors to carry out its function accordingly. The internal auditors also has unrestricted access to the AC on internal audit matters.

## **Provision 10.5 of the Code**

The AC meets annually with the external auditors, and with the internal auditors, without the presence of Management. These meetings enable the external auditors and internal auditors to raise issues encountered in the course of their work directly to the AC.

The AC reviewed and approved the external auditors' audit plan for the year and assessed the quality of the work carried out by the external auditors in accordance with the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority, and is satisfied with the performance. Taking into account the requirements under the Accountants Act (Chapter 2) of Singapore, the AC has undertaken a review of all the non-audit services provided by the external auditors during the period under review and is satisfied that such services would not, in the AC's opinion, affect the independence and objectivity of the external auditors. During the period under review, the aggregate amount of fees paid to the external auditors, Ernst & Young LLP ("EY"), amounted to S\$77,000, with the fees paid for its provision of audit services. No non-audit services fee was paid to EY during the period under review.

EY is an audit firm registered with the Singapore Accounting and Corporate Regulatory Authority. The Company has complied with Listing Rule 712 and 716 in relation to the appointment of EY as external auditors.

Both the AC and Board have reviewed the appointment of different auditors for its significant associated company and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Company has complied with Listing Rule 716.

Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their meetings with the AC.

Each member of the AC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

## **Whistleblowing Policy**

The Company has implemented a Whistleblowing Policy, which serves to encourage and provide a channel for stakeholders to report in good faith and in confidence, without fear of reprisals, concerns about possible wrongdoing or breach of applicable laws, regulations, policies or other matters. The objective for such an arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

The Policy establishes the processes by which whistleblowing complaints are handled and the confidentiality and identity of the whistleblower is maintained and protected.

The AC ensures that independent investigations and any appropriate follow up actions are carried out. Details of this Policy have been disseminated and made available to all employees of the Group. To date, there were no reports received through the whistleblowing mechanism.



# REPORT ON CORPORATE GOVERNANCE

## (D) SHAREHOLDERS 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.**

#### **Provision 11.1 of the Code**

The Company is committed to treat all shareholders fairly and equitably to facilitate the exercise of their ownership rights by providing them with adequate, timely and sufficient information pertaining to the changes of Group's business which could have a material impact on the Company's share price.

#### **Provision 11.2 of the Code**

Each distinct issue is proposed as a separate resolution at general meetings. All resolutions proposed at general meetings shall be put to vote by way of a poll pursuant to Rule 730A(2) of the Listing Manual. All votes cast, for or against, and the respective percentages, in respect of each resolution are tallied and disclosed at the meeting and an announcement with the detailed results showing the numbers of votes cast for and against for each resolution and the respective percentage will be released via SGXNet after the general meetings.

#### **Provision 11.3 of the Code**

The Chairman of each of the AC, RC and NC, or members of the respective Committees standing in for them, are present at each AGM, and other general meetings held by the Company, if any, to address shareholders' queries. Senior Management is also present at general meetings to respond, if necessary, to operational questions from shareholders that may be raised. The external auditor will also be present to address queries regarding the conduct of the audit and the preparation and content of the auditor's report.

#### **Provision 11.4 of the Code**

The Group believes in encouraging shareholders' participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or in absentia through the appointment of one or more proxies (who can either be named individuals nominated by the shareholder to attend the meeting or the Chairman of the meeting as the shareholder may select). The Company's Constitution allows a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. Specified intermediaries, such as banks and capital markets services licence holders which provide custodial services, may appoint more than two proxies. This will enable indirect investors, including CPF investors, to be appointed as proxies to participate in shareholders' meetings. Such indirect investors, where so appointed, will have the same rights as direct investors to vote at the shareholders' meetings. Voting in absentia by mail, facsimile or email is currently not permitted to ensure proper authentication of the identity of shareholders and their voting intent.

#### **Provision 11.5 of the Code**

Minutes of general meetings recording the substantial and relevant comments and queries relating to the agendas of the general meetings raised by shareholders, together with responses from the Board and Management, are prepared by the Company Secretary. These minutes will be made available to shareholders upon their request.

#### **Provision 11.6 of the Code**

The Group does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

# REPORT ON CORPORATE GOVERNANCE

## 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.**

### **Provisions 12.1, 12.2 & 12.3 of the Code**

The Company communicates information to shareholders and the investing community through announcements that are released to the SGX-ST via SGXNET. Such announcements include the quarterly and full-year results, material transactions, and other developments relating to the Group requiring disclosure under the corporate disclosure policy of the SGX-ST.

All shareholders of the Company are sent a copy of the Annual Report and notice of the AGM. The notice of AGM, which sets out all items of business to be transacted at the AGM, is also advertised in the newspapers.

In addition to the above, the shareholders can access the Company's corporate website (<http://www.choffshore.com.sg/>) at their convenience to receive updates. The Company's corporate website also provides information about the Company, its services and its Board of Directors and Management. In the investor relation section of the corporate website, the Company maintains announcements and financial results released on SGXNet as well as annual reports of the Company.

The Company does not practise selective disclosure. In line with continuing disclosure obligations of the Company pursuant to the Listing Rules and the Companies Act (Chapter 50) of Singapore ("Act"), the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group through SGXNet.

The Group has specifically entrusted its CEO, Executive Directors and FC with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

Although the Company does not have an investor relations policy, in addition to communicating with shareholders at the AGM, shareholders may raise questions to the Company through the Company's website to which the Company may respond.

## **(E) MANAGING STAKEHOLDERS RELATIONSHIPS**

### **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.**

### **Provisions 13.1, 13.2 & 13.3 of the Code**

The Company regularly engages its stakeholders through various mediums and channels to ensure that its business interests are aligned with those of its stakeholders. The Company's stakeholders have been identified as those who are impacted by its business and operations and those who are similarly able to impact the Company's business and operations. The Company's efforts on sustainability are focused on creating sustainable value for its key stakeholders, which include employees, shareholders and financiers, client and business partners, suppliers and contractors, government and regulators and local communities.

The Company has identified key areas of focus in relation to the management of stakeholder relationships. For details on the key areas of focus, please refer to the Sustainability Report on pages 18 to 35 of this Annual Report.

# REPORT ON CORPORATE GOVERNANCE

## (F) DEALING IN SECURITIES

The Company has clear guidelines for dealings in securities by Directors and employees. CHO's Directors and employees are prohibited from dealing in CHO's shares for the period of two weeks prior to the announcement of quarterly results and a period of one month prior to the announcement of year-end results during FY2019. In addition, Directors and employees are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. Employees who attend management committee meetings have to observe the "closed window" periods.

## (G) MATERIAL CONTRACTS

Save as disclosed in this Report, there were no material contracts of the Company or its subsidiaries involving the interests of the CEO, Directors or controlling shareholders during the financial year ended 31 December 2019.

## (H) INTERESTED PERSON TRANSACTIONS

The Company has put in place an internal procedure to track interested person transactions ("IPTs") of the Company. The Finance Department is in charge of maintaining a IPTs Register in accordance with the reporting requirements stipulated in Chapter 9 of the SGX-ST Listing Manual. The IPT Register is reviewed by AC and Board on quarterly basis. The Company also maintains the list of interested persons and their associates (which is to be updated immediately if there are any changes) to enable identification of interested persons. The list of interested persons is subject to review, verification and/or affirmation on a quarterly basis.

The aggregate value of IPTs entered into under review is as follows:

Interested Person Transactions	Nature of relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920 of the Listing Manual) (US\$'000)	Aggregate value of all IPTs conducted under Shareholders' Mandate pursuant to Rule 920 of the Listing Manual (excluding transactions less than S\$100,000) (US\$'000)
Baker Technology Group of Companies	See Note <sup>(1)</sup>	124	188
Falcon Energy Group of Companies	See Note <sup>(2)</sup>	437	-

### Note:

- <sup>(1)</sup> Baker Technology Limited ("BTL") holds 54.98% shareholding interest in the Company via its wholly owned subsidiary, BT Investment Pte. Ltd. Dr Benety Chang, Ms Jeanette Chang, Mr Heath McIntyre and Mr Tan Kiang Kherng are Directors of the Company. Each of them is associate of BTL Group.
- <sup>(2)</sup> Falcon Energy Group Limited. ("FEG") holds 34.01% shareholding interest in the Company via its wholly owned subsidiary, Energian Pte. Ltd. Mr Tan Pong Tyea is a Non-Executive Director of the Company. He is an associate of FEG Group.

At the forthcoming AGM, the Company will seek to renew shareholders' approval for the Company, its subsidiaries and associated companies to enter into transactions falling within the categories of interested person transactions described in the Company's letter to shareholders dated 6 April 2020 with any party who is of the class or classes of interested persons described in the said letter, provided that such transactions are entered into in accordance with the review procedures set out in the said letter.

## CONCLUSION

The Company recognises the importance of good corporate governance practices for maintaining and promoting investor confidence. The Company will continue to review and improve its corporate governance practices on an ongoing basis.