

PwC Holdings Ltd and its Subsidiaries

Reference

Corporate Governance Report

For the financial year ended 31 December 2011

The corporate governance report is prepared for illustrative purposes and describes the Group's corporate governance practices and structures, with specific reference to the principles and guidelines of the 2005 Code. Listed companies are required to describe their corporate governance practices with specific reference to the principles of the Code and to explain any deviations from any guideline in the 2005 Code in their annual reports.

SGX 710

The Board of Directors (the "Board") is committed to ensuring that the highest standards of corporate governance are practised throughout PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

SGX 710

In July 2005, the Singapore Council on Corporate Disclosure and Governance issued a revised Code of Corporate Governance (the "2005 Code") that replaced the Code of Corporate Governance that was issued in March 2001 (the "2001 Code"). Companies are required to disclose their corporate governance practices and explain deviations from the 2005 Code in their annual reports for annual general meetings held from 1 January 2007 onwards.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2011, with specific reference to the principles and guidelines of the 2005 Code, and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Singapore Companies Act and the Audit Committee Guidance Committee ("ACGC") Guidebook which was issued on 30 October 2008, focusing on areas such as internal controls, risk management, financial reporting, internal and external audit.

The Board has adhered to all principles and guidelines set out in the 2005 Code as set out below.

The 2005 Code

The 2005 Code is divided into four main sections, namely:

- (A) Board Matters
- (B) Remuneration Matters
- (C) Accountability and Audit
- (D) Communication with Shareholders

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(A) BOARD MATTERS

The Board of Directors as at 19 March 2012 comprises:

Mr Tan Cheng Eng (Chairman and Non-executive Director)
 Mr Ang Boon Chew (Chief Executive Officer)
 Mr David Grey (Non-executive Director)
 Dr Ran Jedwin Gervasio (Executive Director)
 Mr Balachandran Nair (Non-executive Director)
 Mr Michael Philip White (Non-executive Director)
 Madam Wan Oon Kee (Non-executive Director)
 Mr Lee Chee Wai (Non-executive Director)

A description of the background of each director is presented in the “Board of Directors” section of this annual report.

CG Guideline 4.6

Principle 1: The Board's Conduct of Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

CG Guideline 1.1

The Board's role is to:

- (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;
- (b) establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- (c) review management performance; and
- (d) set the company's values and standards, and ensure that obligations to shareholders and others are understood and met.

The Board's role is to:

- provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- review management's performance; and
- set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met.

CG Guideline 1.1

The Board regularly reviews the business plans, the assessment of key risks by management and assesses the adequacy of internal controls and the financial performance of the Group. The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance with relevant regulations. All Board members bring their independent judgment, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

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CG Guideline 1.5

Companies should adopt internal guidelines setting forth matters that require board approval, and specify in their corporate governance disclosures the type of material transactions that require board approval under such guidelines. The Board has adopted a set of guidelines on matters that require its approval. Matters which are specifically reserved for the Board's decision include those involving business plans and budgets, material acquisitions and disposals of assets and companies, financial restructuring, corporate strategy, share issuances, dividends, and other returns to shareholders. Specific Board approval is required for any investments or expenditures exceeding \$5 million.

CG Guideline 1.5

CG Guideline 1.2

All directors must objectively take decisions in the interests of the company.

CG Guideline 1.3

If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation should be disclosed.

CG Guideline 1.2 and 1.3

The Board objectively takes decisions in the interests of the Group. The Board has delegated specific responsibilities to four Committees, namely the Audit, Nomination, Remuneration and Risk Committees. Information on each of the four Committees is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the entire Board.

CG Guideline 1.4

The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association to provide for telephonic and video-conference meetings. The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's annual report.

CG Guideline 1.4

The Board meets at least six times a year. Fixed and optional meetings are scheduled at the start of each year and optional meetings convened as scheduled only when there are matters requiring the Board's decision at the scheduled time. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. The Board also schedules an annual Board Strategy meeting to discuss strategic issues.

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The Articles of Association of the Company allow directors to participate in a Board meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group, without requiring the directors' physical presence at the meeting. The number of Board and Board Committee meetings held in the current financial year and the attendance of directors during these meetings is as follows:

CG Guideline 1.4

	Board of Directors		Audit Committee		Nomination Committee		Remuneration Committee		Risk Committee	
	Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾		Number of meetings ⁽¹⁾	
	Position	Position								
	Held	Attended								
Executive Director										
Ang Boon Chew	M	10	10	-	-	-	-	-	-	-
Andrew Lloyd ⁽²⁾	-	1	1	-	-	-	-	-	-	-
Ran Jedwin Gervasio ⁽³⁾	M	-	-	-	-	-	-	-	M	3
										3
Non-executive Director										
Tan Cheng Eng	C	10	10	M	7	7	-	-	C	2
David Grey	M	10	7	M	7	6	-	-	-	-
Balachandran Nair	M	10	8	C	7	7	-	-	M	2
Michael Philip White	M	10	10	M	7	7	C	3	-	-
Wan Oon Kee	M	10	9	M	7	5	M	3	2	-
Lee Chee Wai ⁽⁴⁾	M	7	6	-	-	-	M	2	M	1
Selamat Baharuddin ⁽⁵⁾	-	3	3	-	4	3	-	1	1	-
									M	3
										3

Denotes:

C – Chairman as at 19 March 2012

M – Member as at 19 March 2012

⁽¹⁾ Number of meetings held/attended during the financial year/period from 1 January 2010 (or from date of appointment of Director, where applicable) to 31 December 2011

⁽²⁾ Resigned on 5 February 2012

⁽³⁾ Appointed on 26 February 2012

⁽⁴⁾ Appointed on 1 May 2011

⁽⁵⁾ Resigned on 1 May 2011

CG Guideline 1.6

Every director should receive appropriate training (including his or her duties as a director and how to discharge those duties) when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the company's business and governance practices. It is equally important that directors should receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

CG Guideline 1.7

Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations.

Commentary 1.8

The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.

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A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Group also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. A manual containing the Group's policies and procedures relating to its business, corporate governance, interests in securities, and price-sensitive information, is updated yearly and provided to each director. To keep pace with new laws, regulations, changing commercial risks and accounting standards, all directors attend specifically tailored training conducted by professionals at least annually. Directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to directors' attention, information on seminars that may be of relevance or use to them.

CG Guidelines 1.6 and 1.7

Commentary 1.8

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

CG Guideline 2.1

There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board. An "independent" director is one who has no relationship with the company, its related companies¹ or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. Examples of such relationships, which would deem a director not to be independent, include:

- (a) a director being employed by the company or any of its related companies for the current or any of the past three financial years;
- (b) a director who has an immediate family member² who is, or has been in any of the past three financial years, employed by the company or any of its related companies as a senior executive officer whose remuneration is determined by the remuneration committee;
- (c) a director, or an immediate family member, accepting any compensation from the company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year; or
- (d) a director, or an immediate family member, being a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organisation to which the company or any of its subsidiaries made, or from which the company or any of its subsidiaries received, significant payments in the current or immediate past financial year. As a guide, payments³ aggregated over any financial year in excess of S\$200,000 should generally be deemed significant.

CG Guideline 2.2

The relationships set out above are not intended to be exhaustive, and are examples of situations which would deem a director to be not independent. If the company wishes, in spite of the existence of one or more of these relationships, to consider the director as independent, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.

¹ A related company in relation to a company includes its subsidiary, fellow subsidiary, or parent company.

² As defined in the Listing Manual of the Singapore Exchange to mean the spouse, child, adopted child, stepchild, brother, sister and parent.

³ Payments for transactions involving standard services with published rates or routine and retail transactions and relationships (for instance credit card or bank or brokerage or mortgage or insurance accounts or transactions) will not be taken into account, unless special or favorable treatment is accorded.

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The Board comprises eight members, six of whom are non-executive directors (including the Chairman). All non-executive directors, except for Mr David Grey who is an Executive Director of PwC Global Limited, the ultimate holding company of the Group, are independent i.e., they have no relationship with the Company, its related companies or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from Management.

Principle 2,
CG Guidelines 2.1, 2.2

CG Guideline 2.4

The Board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer based experience or knowledge.

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, strategic planning and customer service relevant to the direction of a large, expanding group. Mr Tan Cheng Eng and Mr Balachandran Nair are trained in finance and management. In addition, Mr Ang Boon Chew has experience, specifically in the electrical component parts industry, the core business of the Group. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

CG Guideline 2.3

The Board should examine its size and, with a view to determining the impact of the number upon effectiveness, decide on what it considers an appropriate size for the Board, which facilitates effective decision making. The Board should take into account the scope and nature of the operations of the company.

Principle 2,
CG Guideline 2.3

CG Guideline 2.1

The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. As independent and non-executive directors make up almost two-thirds of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent, non-executive directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

Commentary 3.3

Companies should appoint an independent non-executive director to be the lead independent director and he/she should be available to shareholders where they have concerns which contact through the normal channels of the Chairman, Chief Executive Officer or Finance Director has failed to resolve or for which such contact is inappropriate.

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The Board appointed Mr Balachandran Nair to act as the lead Independent Non-executive Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, Chief Executive Officer (“CEO”) or Finance Director has failed to provide satisfactory resolution, or when such contact is inappropriate.

Commentary 3.3

CG Guideline 2.5

Non-executive directors should:

- (a) constructively challenge and help develop proposals on strategy; and
- (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

Commentary 2.6

To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without management present.

Mr Balachandran Nair leads and co-ordinates the activities of the non-executive directors of the Group and aids the non-executive directors to constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance. The non-executive directors meet regularly on their own without Management present.

CG Guidelines 2.5,
Commentary 2.6

Whilst the Company is controlled by PwC Corporate Limited, its immediate holding company, the investment of minority shareholders is fairly represented through the representation of independent directors.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company’s business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

CG Guideline 3.1

The Chairman and Chief Executive Officer (“CEO”) should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, companies should disclose the relationship between the Chairman and CEO where they are related to each other (i.e. be of the same immediate family).

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The roles of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman, Mr Tan Cheng Eng is a Non-executive Director responsible for leading the Board and facilitating its effectiveness. He promotes high standards of corporate governance on the Board and within the Group, and is free to act independently in the best interests of the Group. The CEO, Mr Ang Boon Chew, is an Executive Director responsible for the business direction and operational decisions of the Group. The Chairman and CEO are not related. The division of responsibilities between the Chairman and the CEO has been set out in a set of Guidelines reviewed and endorsed by the Board.

CG Guidelines 3.1

CG Guideline 3.2

The Chairman should:

- (a) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda;
- (b) ensure that the directors receive accurate, timely and clear information;
- (c) ensure effective communication with shareholders;
- (d) encourage constructive relations between the Board and Management;
- (e) facilitate the effective contribution of non-executive directors in particular;
- (f) encourage constructive relations between executive directors and non-executive directors; and
- (g) promote high standards of corporate governance.

The responsibilities set out above provide guidance and should not be taken as a comprehensive list of all the duties and responsibilities of a Chairman.

The Chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board meeting in consultation with the CEO. The Chairman reviews most Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, and between independent and non-independent directors, with a view to encourage constructive relations and dialogue amongst them. The Chairman works to facilitate the effective contribution of non-executive directors. The foregoing responsibilities of the Chairman are included in the abovementioned guidelines endorsed by the Board.

CG Guideline 3.2

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Principle 4

There should be a formal and transparent process for the appointment of new directors to the Board.

CG Guideline 4.1

Companies should establish a Nominating Committee (“NC”) to make recommendations to the Board on all board appointments. The NC should comprise at least three directors, a majority of whom, including the Chairman, should be independent. In addition, the NC Chairman should be a director who is not, or who is not directly associated with⁴, a substantial shareholder (with interest of 5% or more in the voting shares of the company). Its membership should be disclosed in the annual report. The NC should have written terms of reference that describe the responsibilities of its members.

Nomination Committee

The Nomination Committee comprises the following non-executive and independent directors:

CG Guidelines 4.1

Mr Michael Philip White (Chairman)

Madam Wan Oon Kee

Mr Lee Chee Wai

CG Guidelines 4.1

The Nomination Committee was set up on 1 April 2005. The Committee held three meetings during the financial year. All members of this Committee are independent non-executive directors. The Chairman of the Nomination Committee is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

CG Guidelines 4.1

The Nomination Committee has a written Charter endorsed by the Board that sets out its duties and responsibilities. Amongst them, the Nomination Committee is responsible for making recommendations to the Board on all board appointments.

CG Guideline 4.5

A description of the process for the selection and appointment of new directors to the Board should be disclosed. This should include disclosure on the search and nomination process.

In its search, nomination and selection process for new directors, the Nomination Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the Nomination Committee taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for Nomination Committee members to assess them, before a decision is reached.

⁴ A director will be considered “directly associated” to a substantial shareholder when the director is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the substantial shareholder.

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CG Guideline 4.2

The NC should be charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director. All directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

CG Guidelines 4.2

The Nomination Committee is responsible for making recommendations to the Board on the re-nomination of directors at regular intervals and at least once every three years for each director, as required by the Articles of Association of the Company. In its deliberations on the re-nomination of existing directors, the Nomination Committee takes into consideration the directors' contribution and performance (including, if applicable, his contribution and performance as an independent director). The assessment parameters include attendance record, preparedness, intensity of participation and candour at meetings of the Board and Committees as well as the quality of intervention and special contributions.

Principle 5: Board Performance

There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

CG Guideline 5.4

Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the NC.

CG Guidelines 5.4

The Chairman of the Board will give feedback to the Nomination Committee on the appointment of new directors or retirement or resignation of existing directors, following the outcome of an annual performance evaluation of individual directors, and the Nomination Committee will take into consideration his views in this regard.

CG Guideline 4.3

The NC is charged with the responsibility of determining annually if a director is independent, bearing in mind the circumstances set forth in Guideline 2.1 and any other salient factors. If the NC determines that a director who has one or more of the relationships mentioned therein can be considered independent, the company should make such disclosure as stated in Guideline 2.2. Conversely, the NC has the discretion to determine that a director is non-independent even if he does not fall under the circumstances set forth in Guideline 2.1.

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The Nomination Committee is also responsible for determining annually, the independence of directors. In doing so, the Nomination Committee takes into account the circumstances set forth in Guideline 2.1 of the 2005 Code and any other salient factors. Following its annual review, the Nomination Committee has endorsed the following independence status of the directors:

CG Guidelines 4.3

Mr Tan Cheng Eng (Independent)
 Mr Ang Boon Chew (Non-independent)
 Mr David Grey (Non-independent)
 Dr Ran Jedwin Gervasio (Non-independent)
 Mr Balachandran Nair (Independent)
 Mr Michael Philip White (Independent)
 Madam Wan Oon Kee (Independent)
 Mr Lee Chee Wai (Independent)

CG Guideline 4.4

When a director has multiple board representations, he or she must ensure that sufficient time and attention is given to the affairs of each company. The NC should decide if a director is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards.

CG Guidelines 4.4

The Nomination Committee is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. This matter is reviewed on an annual basis by the Nomination Committee.

CG Guideline 5.1

Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. This assessment process should be disclosed in the annual report.

CG Guideline 5.2

The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders' value. These performance criteria should not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify this decision.

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The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board. A consulting firm specialising in board evaluation and human resources was appointed by the Nomination Committee to help to design and implement the process. This is the fifth year in which this board evaluation process has been implemented.

CG Guidelines 5.1 and 5.2

CG Guideline 5.3

In addition to any relevant performance criteria which the Board may propose, the performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.

Commentary 5.5

Other performance criteria that may be used include return on assets ("ROA"), return on equity ("ROE"), return on investment ("ROI") and economic value added ("EVA") over a longer-term period.

CG Guidelines 5.1, 5.2

and 5.3

Commentary 5.5

The collective assessment process comprises two parts: a qualitative assessment of the functioning of the Board, and a review of selected financial and quantitative performance indicators (including the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index, return on assets, return on equity, economic value added and profitability on capital employed, each compared with a selected set of listed industry peers for benchmarking purposes). The qualitative assessment utilizes a confidential questionnaire (covering areas such as the effectiveness of the Board in its monitoring role and the attainment of the strategic and long term objectives set by the Board, including the enhancement of shareholders' value) which is completed by each director individually. Both sets of performance criteria have been endorsed by the Nomination Committee and the Board. The completed qualitative assessment questionnaires are submitted to the consulting firm, which prepares a comprehensive confidential report for the Nomination Committee's discussion. The results and conclusions are then presented to the Board by the Nomination Committee together with the consultant and an action plan is drawn up to address any areas for improvement.

CG Guidelines 5.1 and 5.4

As above

CG Guideline 5.1 and 5.4

The assessment of individual directors is done through both self-assessment as well as peer-assessment, in each case through a confidential questionnaire completed by directors individually. The assessment parameters for such individual evaluation include attendance and contributions during Board meetings as well as commitment to their role as directors. The questionnaires are submitted to the consulting firm which prepares a confidential report for each director. The Chairman of the Board together with the Chairman of the Nomination Committee then meet with each individual director to discuss his report and areas for improvement. Where the individual director being assessed is the Chairman of the Board, the Chairman of the Nomination Committee meets with him alone, and vice versa.

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Principle 6: Access to Information

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

CG Guideline 6.1

Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by Management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfil his or her duties properly. Hence, the Board should have separate and independent access to the company's senior management.

CG Guideline 6.2

Information provided should include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.

All directors receive a set of Board papers prior to the Board meeting. This is generally issued to them at least five working days prior to the meeting in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

- Background or explanations on matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board;
- Minutes of the previous Board meeting;
- Minutes of meetings of all Committees of the Board held since the previous Board meeting;
- Major operational and financial issues;
- Statistics on customer satisfaction;
- Statistics on key performance indicators.

CG Guidelines 6.1

CG Guidelines 6.2

CG Guideline 10.2

The Management should provide all members of the Board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.

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As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion. Key analysts' reports on the Group are forwarded to the directors on an ongoing basis. In addition, the Board receives from Management monthly management accounts which present a balanced and understandable assessment of the Group's performance, position and prospects. The latest set of management accounts circulated is tabled for discussion at each Board meeting in case directors have any queries on them.

CG Guidelines 10.2

The directors have separate and independent access to the Group's senior management, including the CEO, the Finance Director and other key Management, as well as the Group's internal and external auditors. Queries by individual directors on circulated papers are directed to Management who will respond accordingly. Where relevant, directors' queries and Management's responses are circulated to all Board members for their information.

CG Guidelines 6.1

CG Guideline 6.5

The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.

CG Guidelines 6.5

The Board has also approved a procedure for directors, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary in the furtherance of their duties, at the Group's expense.

CG Guideline 6.3

Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with. Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required. The company secretary should attend all board meetings.

CG Guidelines 6.3

All directors have separate and independent access to the advice and services of the Company Secretary. The Board has approved a set of guidelines defining the role and responsibilities of the Company Secretary. The Company Secretary attends all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Remuneration Committee and Nomination Committee. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its Committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

CG Guideline 6.4

The appointment and the removal of the company secretary should be a matter for the Board as a whole.

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Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

CG Guidelines 6.4

(B) REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 7

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management.

CG Guideline 7.1

The Board should set up a Remuneration Committee (“RC”) comprising entirely of non-executive directors, the majority of whom, including the Chairman, should be independent. This is to minimise the risk of any potential conflict of interest.

CG Guidelines 7.1
SCX 852(1)(A)

Remuneration Committee

The Remuneration Committee comprises the following non-executive and independent directors:

Mr Tan Cheng Eng (Chairman)

Mr Balachandran Nair

Mr Lee Chee Wai

CG Guideline 7.2

The RC will recommend to the Board a framework of remuneration, and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire Board. The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind. The RC will also review the remuneration of senior management.

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The principal responsibilities of the Remuneration Committee are:

1. Recommending to the Board for endorsement, a framework for computation of directors' fees of the Board, as well as remuneration of executive directors and senior management of Senior Vice President grade or its equivalent and above. For executive directors and other senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind);
2. Recommending the specific remuneration packages for each director and other senior management of Senior Vice President grade or its equivalent and above; and
3. Administering the PwC Employee Share Option Scheme.

CG Guideline 7.2

Commentary 7.3

If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors.

Commentary 7.3

In framing the Group's remuneration policy as described above, the Remuneration Committee from time to time seeks advice from external consultants as well as confidentially from selected senior management, including the Director (Human Resource), at its discretion. The remuneration policy recommended by the Remuneration Committee is submitted for approval by the Board.

CG Guideline 7.2

Principle 8: Level and Mix Of Remuneration

The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

Commentary 8.5

In setting remuneration packages, the company should be aware of pay and employment conditions within the industry and in comparable companies. But they should use such comparison with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.

The remuneration package of executive directors and other senior management of senior vice president grade or its equivalent and above ("senior management") consists of the following components:

(a) Fixed Component

Fixed pay comprises basic salary, statutory employer's contributions to the Central Provident Fund, Annual Wage Supplement ("AWS") and fixed allowances. Eligibility for AWS and fixed allowances will depend on the length of service. To ensure that key executives' remuneration is consistent and comparable with market practice, the Remuneration Committee also regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

Commentary 8.5

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CG Guideline 8.1

The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive directors' performance.

(b) Variable Component

This component comprises variable bonus based on the Group's and the individual's performance, as well as monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of senior management, which includes 360 degree-assessments and measuring their performance against selected key performance indicators, is undertaken each year. Bonuses payable to senior management are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders.

CG Guidelines 8.1

(c) Benefits

Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowance, club benefits and housing subsidy. Eligibility for these benefits will depend on individual salary grade and length of service.

CG Guideline 8.4

Long-term incentive schemes are generally encouraged. The RC should review whether directors should be eligible for benefits under long-term incentive schemes. The costs and benefits of long-term incentive schemes should be carefully evaluated. In normal circumstances, offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time. The use of vesting schedules, whereby only a portion of the benefits can be exercised each year, is also strongly encouraged. Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.

CG Guideline 9.4

The report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies. The important terms of the share schemes, including the potential size of grants, methodology of valuing stock options, exercise price of options that were granted as well as outstanding, whether the exercise price was at the market or otherwise on the date of grant, market price on the date of exercise, the vesting schedule, and the justifications for the terms adopted, should be disclosed.

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(d) Share Options

Executive directors and senior management with more than three years of service are eligible for the grant of options under the PwC Employee Share Option Scheme. The options granted will vest only on completion of another two years of service with the Group, commencing from the grant date. Executive directors and senior management are encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability. More information on the PwC Employee Share Option Scheme is set out in the Directors' Report.

CG Guidelines 8.4 and 9.4

CG Guideline 8.3

In the case of service contracts, there should be a fixed appointment period for all executive directors. In any case, service contracts should not be excessively long or with onerous removal clauses. The RC should review what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination. The RC should aim to be fair and avoid rewarding poor performance.

Commentary 8.6

Notice periods in service contracts should be set at a period of six months or less. If it is necessary to offer longer notice periods to new directors recruited from outside, such periods should reduce to six months or less after the initial notice period.

The service contracts for executive directors are for fixed appointment periods which are not excessively long and they do not contain onerous removal clauses. Notice periods are generally six months or less in service contracts for senior management. The Remuneration Committee is responsible for reviewing the compensation commitments arising from directors' contracts of service in the event of early termination.

CG Guidelines 8.3
and Commentary 8.6

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The fees and allowances proposed to be paid to Directors for the current financial year are determined based on the same formula applied in the previous year as follows:

TYPE OF APPOINTMENT	PROPOSED FEE
Board of directors	\$
Basic Fee	50,000
Board Chairman Allowance	32,000
Audit committee	
Committee Chairman's Allowance	27,000
Member's Allowance	13,500
Other board committees	
Committee Chairman's Allowance	13,500
Member's Allowance	9,000
Attendance fee	
Per Board meeting in Singapore	1,000
Per Audit Committee meeting in Singapore	800
Per Other Board Committee meeting in Singapore	600
Per Board meeting overseas	3,000
Per Audit Committee meeting overseas	2,000
Per Other Board Committee meeting overseas	1,500

Besides the basic fee, every Director will receive:

- The Chairman's allowance if he is Chairman of the Board;
- The relevant allowance (depending on whether he was Chairman or a member of the relevant Board Committee) for each position he holds in the Board Committee during the financial year; and
- The relevant attendance fee for each Board and Board Committee meeting he attends during the financial year.

If he occupies a position for part of the financial year, the fee or allowance payable will be prorated accordingly.

Guidance notes

Proposed fees

Corporate Governance Guideline 8.2 provides guidance that the remuneration of non-executive directors should be appropriate to their level of contribution, taking into account factors such as their effort and time spent and responsibilities. In this example, the fee and allowance formula are applied consistently to all directors, executive and non-executive. The practice in the market is varied; there are companies which remunerate executive directors with directors' fees on the basis that they receive it for services rendered in the capacity of director, and companies which do not on the basis that they are holding the directorship in their capacity as executives and thus are already remunerated in their wages.

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The remuneration of directors and key executives is set out below. The disclosure is provided to enable investors to understand the link between the remuneration paid to the directors and key executives, and corporate and individual performance.

CG Guidelines 8.2

DISCLOSURE ON REMUNERATION

Principle 9: Disclosure on Remuneration

Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

CG Guideline 9.1

The company should report to the shareholders each year on the remuneration of directors and at least the top 5 key executives (who are not also directors) of the company. This annual remuneration report should form part of, or be annexed to the company's annual report of its directors. It should be the main vehicle through which the company reports to shareholders on remuneration matters. The members of the RC should be listed in the report.

CG Guideline 9.2

The report should set out the names of directors and at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of S\$250,000. There will be a breakdown (in percentage terms) of each director's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, and stock options granted and other long-term incentives. Companies are however encouraged, as best practice, to fully disclose the remuneration of each individual director.

CG Guideline 9.4

As above

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	Basic salary ⁽¹⁾ \$'000	Fees ⁽¹⁾ \$'000	Bonus \$'000	Benefits- in-kind \$'000	Termination benefit \$'000	Fair value share of options granted ⁽²⁾ \$'000	Total 2011 \$'000	Total 2010 \$'000	Total fair value of options granted in ⁽¹⁰⁾ \$'000		Principle 9, CG Guidelines 9.1, 9.2 and 9.4
							2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000	
Executive Directors											
Ang Boon Chew	284	32 ⁽³⁾	417	36	-	86	855	748	100	72	
Andrew Lloyd ⁽⁴⁾	274	32 ⁽³⁾	355	13	-	-	674	686	-	-	
Ran Jedwin Gervasio ⁽⁵⁾	-	-	-	-	-	-	-	-	-	-	
	558	465	772	49	100	86	2,030	1,849	100	72	
Non-executive Directors											
Tan Cheng Eng	-	95 ⁽³⁾	-	-	-	-	95	92	-	-	
David Grey	-	70 ^{(3),(6)}	-	-	-	-	70	68	-	-	
Balachandran Nair	-	65 ⁽³⁾	-	-	-	-	65	60	-	-	
Michael Philip White	-	56	-	-	-	-	56	27	-	-	
Wan Oon Kee	-	44	-	-	-	-	44	42	-	-	
Lee Chee Wai ⁽⁷⁾	-	41	-	-	-	-	41	-	-	-	
Selamat Baharuddin	-	30	-	-	100 ⁽⁸⁾	-	130	78	-	-	
Francis Wong	-	-	-	-	-	-	-	48	-	-	
	558	465	772	49	100	86	2,030	1,849	100	72	
Key Management Personnel											
Ran Jedwin Gervasio ⁽⁵⁾	214	-	232	18	-	59	523	-	65	53	
Henry Heng	177	-	218	13	-	52	460	188	45	59	
Raju Samy	180	-	196	10	-	41	427	150	40	42	
Abdul Rahmat	200	-	178	9	-	32	419	280	35	29	
Tracy Phung ⁽⁹⁾	228	-	132	7	-	30	397	-	32	-	
	999	-	956	57	-	214	2,226	618	217	183	

Denotes:

- (1) Includes allowances and contributions to Central Provident Fund (where applicable)
- (2) Refers to the expense on share options granted to the executive directors/senior management recognised in the financial statements.
- (3) Includes fees paid/payable for directorship in subsidiary/subsidiaries.
- (4) Resigned as a director on 5 February 2012.
- (5) Joined the Group as a key executive on 1 March 2011 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 26 February 2012.
- (6) Fees paid/payable to PwC Global Limited, ultimate holding company and the director's employer company.
- (7) Appointed as a director on 1 May 2011.
- (8) In appreciation of Mr Selamat Baharuddin's service to the Group for the past 15 years, the Board approved the payment of S\$100,000 as termination benefits to him. He resigned on 1 May 2011.
- (9) Joined the Group as a key executive on 1 January 2011.
- (10) Refers to the total fair value of share options granted to the executive directors/senior management during the financial year. The fair value of the options was estimated using the Binomial Option Pricing model.

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CG Guideline 9.3

For transparency, the report should disclose the same details of the remuneration of employees who are immediate family members⁵ of a director or the CEO, and whose remuneration exceeds S\$150,000 during the year. This can be done on a no-name basis with clear indication of which director or the CEO the employee is related to.

An immediate family member of Mr Ang Boon Chew, the CEO and an Executive Director of PwC Holdings Ltd, has an employment relationship with a subsidiary, and has received remuneration amounting to S\$152,000 in that capacity during this financial year.

CG Guidelines 9.3

(C) ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

CG Guideline 10.1

The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports and reports to regulators (if required).

CG Guidelines 10.1

Management provides to members of the Board for their endorsement, annual budgets (capital, operating and manpower establishment), rolling three-year business plans and key performance indicator targets for key management personnel.

Commentary notes

“Meet the bank” policy

As a best practice, the CEO should arrange an annual meeting with all banks at a senior (not trading) level, to confirm operations are “within mandate” and confirm with the senior bank representatives the CEO's understanding of the types and sizes of transactions being undertaken. There should also be a physical meeting arranged between the Chairman and each bank at the start of new relationships.

During the financial year, the CEO has met up with the senior bank representatives of all banks that the Group has transactions with, to confirm his understanding of the types and sizes of transactions being undertaken by the Group and that all operations are “within mandate”. In addition, the Chairman also attended two separate meetings with Citibank Singapore and Barclays Bank PLC to understand the nature of the new business relationships with the banks before bank mandates were signed with them during the year.

⁵ As defined in the Listing Manual of the Singapore Exchange to mean the spouse, child, adopted child, stepchild, brother, sister and parent.

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(C.1) Audit Committee

Principle 11: Audit Committee

The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.

CG Guideline 11.1

The AC should comprise at least three directors, all non-executive, the majority of whom, including the Chairman, should be independent.

CG Guideline 11.8

The Board should disclose the names of the members of the AC and details of the Committee’s activities in the company’s annual report.

The Audit Committee comprises the following Directors:

Mr Balachandran Nair (Chairman)

CG Guidelines 11.1 and
11.8

Mr Tan Cheng Eng

Mr David Grey

Mr Michael Philip White

Madam Wan Oon Kee

CG Guideline 11.5

The AC should meet with the external auditors, and with the internal auditors, without the presence of the company’s Management, at least annually.

The Audit Committee held seven meetings during the financial year. These meetings were attended by the CEO, Finance Director and Head of Internal Audit Department (“IAD”) at the invitation of the Audit Committee. The Group’s external auditor was also present at the relevant junctures during these meetings. The Committee has also met the external and internal auditors, without any executive of the Group being present, twice during the financial year to:

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for major audit adjustments and issues; and
- inquire if there are any material weaknesses or control deficiencies over the Group’s financial reporting process and the corresponding effect on the financial statements.

CA201B(6)
ACGC Guidebook Page 32,
Para 1.2.19 and Page 33,
Para 1.2.21

CG Guideline 11.5,
ACGC Guidebook Page
13, Para 1.2.16, Page 102,
Para 1.2.4, Page 76, Para
1.2.7, Page 56, Para 1.2.1
and Page 78, Para 1.2.8.2

All members of this Committee are non-executive directors except for Mr David Grey who is an Executive Director of PwC Global Limited, the ultimate holding company of the Group. All members are independent.

CG Guideline 11.1
CA201B(2)
CA201B(3)

CG Guideline 11.2

The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgment.

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The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Two members of the Audit Committee, namely Mr Balachandran Nair and Mr Tan Cheng Eng, have the requisite accounting and related financial management expertise and experience. One of the Audit Committee members, Mr Michael Philip White is knowledgeable about Information Technology ("IT") systems and controls and possesses the relevant experience related to the oversight function for risk management.

CG Guideline 11.2, ACGC Guidebook Pages 5 and 6, Para 1.2.4, Page 26, Para 1.2.1, 1.2.2 and Page 23, Para 1.2.32

Guidance notes

1. ACGC Guidebook Pages 5 and 6, Para 1.2.4 provides guidance that the accounting or related financial management expertise or experience possess by at least two AC members could be interpreted as having some or all of the following:
 - The ability to read and understand financial statements, including the Group's balance sheet, income statement and cash flow statement
 - The ability to understand and assess the general application of local or other generally accepted accounting principles
 - The ability to ask pertinent questions about the Group's financial reporting process
 - The ability to effectively challenge Management's assertions on financials and Management's responses when appropriate
 - The ability to understand internal controls and risk factors relevant to the Group's operations, including those relating to complex financial instruments that are in use
 - Experience gained through executive responsibility for a sizeable business including having or having had responsibility for the finance function, such as being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities
 - Education or professional qualifications relating substantially to accounting or finance
 - Experience in working within the areas of corporate finance, financial reporting or accounting
2. ACGC Guidebook Page 23, Para 1.2.32 recommends the AC to consider having a member who is knowledgeable about IT systems and controls or organise a panel of experienced persons to review the IT areas for companies whose key operations are reliant on sophisticated integrated systems.

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(C.2) Roles and responsibilities of the Audit Committee

CG Guideline 11.3

The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

Principle 11 and CG
Guideline 11.3

CG Guideline 11.4

The duties of the AC should include:

- (a) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (b) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;
- (c) reviewing the adequacy of the company's internal controls, as set out in Guideline 12.1;
- (d) reviewing the effectiveness of the company's internal audit function; and
- (e) making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

CG Guideline 11.6

The AC should review the independence of the external auditors annually.

CG Guideline 13.3

The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.

CG Guideline 13.4

The AC should, at least annually, ensure the adequacy of the internal audit function.

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The Audit Committee has written Terms of Reference endorsed by the Board, setting out their duties and responsibilities. The Audit Committee is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and cooperation of Management, with full discretion to invite any director or executive officer to attend its meetings. It has adequate resources to enable it to discharge its functions properly. During the meetings of the Audit Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

- Reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;
- Reviewing the nature and extent of the external auditor's non-audit services to the Group as well as the extent of reliance placed by the external auditor on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- Reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- Reviewing the adequacy of the Group's internal financial controls, operational and compliance controls, and risk management policies and systems (hereinafter referred to collectively as "internal controls") at least annually;
- Reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- Making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- Reviewing the external auditor's audit plan, audit report and the external auditor's evaluation of the system of internal accounting controls with the external auditor, as well as the assistance given by Management to the external auditor;
- Reviewing the quarterly, half-yearly and full-year financial reports of the Group, prior to their submission to the Board; and
- Coordinate with the Risk Committee on its oversight on financial reporting matters.

CG Guidelines 11.4, 11.6,
13.3 and 13.4, CA210B(5)(a)ACGC Guidebook Page
74, Para 1.2.4, Page 75,
Para 1.2.5 and Page 49,
Para 1.2.26ACGC Guidebook Page
125, Appendix A2

Principle 12: Internal Controls

The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

CG Guideline 12.1

The AC should review the adequacy of the company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the Management (collectively "internal controls"). The AC should ensure that a review of the effectiveness of the company's internal controls is conducted at least annually. Such review can be carried out by the internal (auditor) and/or public accountants, provided that where the public accountant is also the external auditor of the company, the AC should satisfy itself that the independence of the public accountant is not compromised by any other material relationship with the company.

CG Guidelines 12.1

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(C.3) Internal controls

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems on an annual basis. It should be noted that such systems are designed to manage rather than to eliminate the risks. Accordingly, the systems can provide only reasonable, and not absolute, assurance against misstatement of loss, safeguarding of assets, maintenance of proper accounting records, reliability of financial information and compliance with all relevant legislation.

The Audit Committee has considered the five components of internal control namely Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring to gain an understanding of controls at the entity level.

ACGC Guidebook Page
130, Appendix B2

The IAD performs detailed work to assist the Audit Committee in the evaluation of internal controls, financial and accounting matters, compliance, business and financial risk management including controls in critical IT systems. The Audit Committee's responsibilities for the Group's internal controls are complemented by the work of the Risk Management Department, Legal and Compliance Department and Information Systems Security Department.

ACGC Guidebook Page 23,
Para 1.2.31

(C.4) Assessing the design and operating effectiveness of internal controls

In assessing the design and operating effectiveness of internal controls, the Audit Committee has established that the following objectives have been addressed:

ACGC Guidebook Page 11,
Para 1.2.2

- Assets are safeguarded
- Fraud or errors in the accounting records are prevented or detected
- Accuracy and completeness of accounting records are ensured
- Reliable financial information is prepared in a timely manner
- Compliance with applicable internal policies, laws and regulations relating to the financial reporting process

The CEO and the CFO have signed an undertaking confirming their responsibilities for internal controls, as follows:

ACGC Guidebook Page 12,
Para 1.2.6 and 1.2.7

- Are responsible for establishing and maintaining internal controls
- Have designed such internal controls to ensure that material information relating to the Group, its consolidated subsidiaries and equity-accounted associates is disclosed on a timely basis for the purposes of preparing financial statements
- Have evaluated the effectiveness of the Group's internal controls as at the end of the financial year and reported the conclusion to the Audit Committee
- Have disclosed to the Group's external auditor and the Audit Committee
 - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the company's ability to record, process, summarise, or report financial data and
 - (b) any fraud, whether or not material, that involves Management or other employees who have a significant role in the Group's internal controls; and
 - (c) all material weaknesses and significant deficiencies in internal controls

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CG Guideline 12.2

The Board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.

(C.5) Conclusion on adequacy of internal controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks were adequate.

Principle 13: Internal Audit

The company should establish an internal audit function that is independent of the activities it audits.

CG Guideline 13.1

The Internal Auditor's primary line of reporting should be to the Chairman of the AC although the Internal Auditor would also report administratively to the CEO.

CG Guideline 13.2

The Internal Auditor should meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

CG Guideline 13.3

As above.

(C.6) Internal Audit

IAD is a department independent of Management. The Head of IAD has a direct and primary reporting line to the Chairman of the Audit Committee, with administrative reporting to the CEO. The IAD assists the Board in monitoring and managing risks and internal controls of the Group.

IAD performs its evaluation of internal controls against the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework (1992).

Principle 13

ACGC Guidebook Page 43,

Para 1.2.4

CG Guideline 13.1, ACGC

Guidebook Page 44, Para

1.2.10 and Page 13, Para

1.2.12

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During the year, IAD has considered the following components of internal control:

1. Control Environment: The nature of the Group's Control Environment has a pervasive effect on IAD's assessment of risks. IAD assessed the design of the various elements in the Control Environment to determine the strength of the foundation for all other components of internal control and made appropriate recommendations for improving the Control Environment. For example, IAD has considered the following elements (which has a pervasive effect) and how they have been incorporated into the Group's processes:
 - Communication and enforcement of integrity and ethical values
 - Commitment to competence
 - Participation by those charged with governance
 - Management's philosophy and operating style
 - Organisational structure
 - Assignment of authority and responsibility
 - Human resource policies and practices
2. Risk Assessment: IAD performed a risk assessment process of Group's various operations and identified the relevant risks and their significance and assessed their likelihood (including consideration of the results from the risk management process (see C.7 later)).
3. Control Activities, Information and Communication: IAD assisted the Group in maintaining effective control by evaluating the effectiveness and efficiency of processes, in particular the adequacy of internal controls over authorization, information processing, physical controls, segregation of duties and performance reviews. IAD has also obtained an understanding of how the Group has responded to risks arising from IT and assessed the adequacy of automated application controls.
4. Monitoring of controls: IAD continued to ensure that management adequately monitors internal controls as part of the Control Activities noted above, especially in processes, people and systems.

The Audit Committee approves the internal audit plan and budget and ensures the adequacy of internal audit resources during the first Audit Committee meeting each year. The scope of IAD covers all business and support functions within the Group. Associated companies and joint ventures are also subject to internal audit on a regular basis, either by IAD or by their own internal audit departments (the adequacy of which is reviewed regularly by IAD). The IAD has met the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

CG Guideline 13.4

CG Guideline 13.2

During the year, the IAD conducted its audit reviews based on the approved internal audit plans. Upon completion of each audit assignment, the IAD reported its findings and recommendations to management who would respond on the actions to be taken. The IAD submitted quarterly internal audit summary reports to the Audit Committee on the status of the audit plan and on audit findings and actions taken by management on the findings.

ACGC Guidebook
Page 50, Para 1.2.30

The Head of IAD reports to the Audit Committee on the nature and frequency of training and seminars attended by the IAD staff to enhance their skill sets in specialized areas and professional Internal Audit standards.

ACGC Guidebook
Page 44, Para 1.2.10

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(C.7) Risk Management

As part of Management's efforts in promoting a "risk-aware" culture, risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle conducted at the beginning of each financial year. Having identified the risks arising from strategic business objectives, each business unit is required to document the mitigating actions to manage each significant risk. New areas are introduced for assessment as the business risk profile changes. Information such as the types of risks, the controls and processes for managing risks is subsequently summarised in a risk map, which is reviewed by Management, IAD and Audit Committee. Management also conducted an annual training on risk management and a risk discussion forum to heighten risk awareness for staff at middle management level.

ACGC Guidebook Page 29,
Para 1.2.9

(C.7.1) Risk Committee

The Risk Committee was formed in April 2010 as part of the Group's efforts to strengthen its risk management processes and framework. The Risk Committee comprises the following Directors:

Madam Wan Oon Kee (Chairman)
Dr Ran Jedwin Gervasio
Mr Lee Chee Wai

There were three meetings of the Risk Committee held in 2010. The Risk Committee's role is to:

- Review the adequacy and effectiveness of the Group's risk management process and system;
- Review and approve in broad terms, the risk guidelines and limits including country concentration limits for the Group and the Business Units, which are reviewed annually;
- Review the risk management maturity of the Group, the status of the risk management activities and the significant risks faced by the Group and the Business Units;
- Guide management on the process to identify, evaluate and manage significant risks; and
- Report to the Board and the Audit Committee on material matters, findings and recommendations pertaining to risk management.

(C.7.2) Assessment of Risk Management Framework

The Risk Committee reviewed the adequacy of the Group's risk management framework and conducted four dialogue sessions with Management to understand the process to identify, assess, manage and monitor risks within the Group. In addition, the Risk Committee also engaged an external risk management consultant, ABC LLP, during the year to conduct an independent review on the effectiveness, adequacy and robustness of the Group's risk management policies and processes and make recommendations to enhance the controls over the risk management process.

ACGC Guidebook Page 27,
Para 1.2.4
ACGC Guidebook
Page 29, Para 1.2.7

Management presented semi-annual reports to the Risk Committee and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:

- Assessment of the Group's key risks by major business units and risk categories
- Identification of specific "risk owners" who are responsible for the risks identified
- Description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an ongoing basis
- Ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps
- Status and changes in plans undertaken by Management to manage key risks
- Description of the risk monitoring and escalation processes and also systems in place

ACGC Guidebook Page 28,
Para 1.2.5

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(C.7.3) Risk appetite and tolerance limits

Management has established risk tolerance limits for each key risk by considering the relative importance of the related objectives and aligning risk tolerances with risk appetite. Operating within risk tolerances provides Management with greater assurance that the Group remains within its risk appetite. On an annual basis, Management tests and evaluates the tolerance limits by comparing tolerance calculations with risk retention capacity limits and the level of materiality to assess the Group's resilience to risk.

Based on the above, the Risk Committee concluded that the Group's risk management framework was adequate. Management has appropriately defined and the Risk Committee, together with the Board has approved the risk appetite of the Group.

ACGC Guidebook Page 27,
Para 1.2.4

(C.7.4) "Near-miss" programme

In addition, Management has implemented a "near-miss" programme, with the Audit Committee's endorsement to identify events that indicate system or process weaknesses, which could result in major consequences if not remedied. The objective for such arrangements is to encourage staff to disclose "near-misses" without fear of reprisals. Collection and analysis of such "near-miss" data, together with the subsequent identification of remedial actions are undertaken by a Compliance Manager who reports directly to the Chairman of the Audit Committee.

ACGC Guidebook Page 30,
Para 1.2.12

(C.7.5) Business Continuity Plan

The Board has reviewed and approved the business continuity plan to deal with pandemic situation, information technology failures and loss of business premises so as to mitigate the negative impact on the Group's operation. The approved plan was endorsed by the Audit Committee and addressed the following:

- Identification of critical business functions and its operational arrangement
- Impact on the closure of business operation sites and availability of alternate offices
- Communication with business partners on revised operational protocols
- Measures to reduce spread of a pandemic outbreak
- Crisis management procedures
- Operational continuity plans

ACGC Guidebook Page 35,
Para 1.2.27

Management has conducted semi-annual tests on the business continuity plan and reported the results of these tests to the Board and the Audit Committee.

(C.8) Whistle blowing programme

CG Guideline 11.7

The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC's objective should be to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

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The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group undertakes to investigate complaints of suspected fraud in an objective manner and has put in place, with the Audit Committee's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. All such investigations are undertaken by a Compliance Manager who reports directly to the Chairman of the Audit Committee.

ACGC Guidebook Page 17, Para 1.2.24 and CG Guideline 11.7

CG Guideline 11.6

As above

(C.9) Auditors' independence

The Audit Committee is satisfied with the independence and objectivity of the external auditor and recommends to the Board the nomination of the external auditor for reappointment. The Audit Committee has conducted an annual review of all non-audit services provided by the external auditor and is satisfied that the nature and extent of such services do not affect the independence of the external auditor.

CG Guidelines 11.6 and 11.4(a), CA201B(5)(b), SGX1207(6)(b) and ACGC Guidebook Page 83, Para 1.2.12

(C.10) Interested Person Transactions

The Audit Committee reviewed the Group's Interested Person Transactions ("IPT") to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders. The Audit Committee is satisfied that there were no material contracts involving the interests of the CEO, Directors or the controlling shareholders and their subsidiaries. Management reported that the internal control procedures for determining the transaction prices of IPT had not changed since the date of the last Annual General Meeting, at which time the shareholders' mandate for IPT was last renewed. The Audit Committee is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPT was effective.

ACGC Guidebook Page 91, Para 1.2.1

Management accordingly recommended that the Company not appoint an independent financial advisor to review the IPT methods and procedures in the current financial year. Pursuant to the provisions under SGX-ST Listing Rule 920(1), the Audit Committee concurred with management's recommendations.

(D) COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

Companies should engage in regular, effective and fair communication with shareholders.

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Reference

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CG Guideline 14.1

Companies should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.

CG Guideline 14.2

Companies should disclose information on a timely basis. Where there is inadvertent disclosure made to a selected group, companies should make the same disclosure publicly to all others as soon as practicable. This could be through the use of modern technology such as Internet websites.

The Group values dialogue with its shareholders. The Group believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible. The Group has a dedicated investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. The team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team. Material information is published on SGXNET and on the Company's website www.pwcholdings.com.sg, and where appropriate, through media releases.

CG Guideline 14.1

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. Briefings for the quarterly and full year results are conducted for analysts and the media following the release of the results via SGXNET. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. All analysts' and media briefing materials are made available on SGXNET and on the Company's website www.pwcholdings.com.sg for the information of shareholders.

CG Guideline 14.2

Principle 15: Greater Shareholder Participation

Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

CG Guideline 15.1

Shareholders should have the opportunity to participate effectively and to vote in AGMs. They should be allowed to vote in person or in absentia. In this regard, companies are encouraged to make the appropriate provisions in their Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.

PwC Holdings Ltd and its Subsidiaries

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The Group believes in encouraging shareholder 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. The Company's Articles of Association have not yet been amended to allow for other absentia voting methods such as by mail, electronic mail, fax and/or other methods; this issue is reviewed by the Board on a regular basis. The Board has resolved to propose such an amendment when the necessary security and other measures to protect against errors, fraud and other irregularities are available on a cost-effective basis and when the Board views this is of sufficient interest to the Company's shareholders.

CG Guideline 15.1

Commentary 15.4

Companies are encouraged to amend their Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.

The Company's Articles of Association presently provide for a member to appoint not more than two proxies to attend a general meeting. Notwithstanding Commentary 15.4 of the Code, they have not been amended to lift the limit on the number of proxies for nominee companies to enable shareholders who hold shares through nominees to attend as proxies. This is because it will not be possible to make such an amendment to apply only to nominee company shareholders and not to the other shareholders. In addition, the Board views that lifting the limit would not promote greater efficiency or effective decision making nor would it be cost-effective. As a compromise, the Board is considering to increase the number of proxies any one member may appoint. The Board is studying the matter and may make a proposal in due course to shareholders for their approval.

CG Guideline 15.4

CG Guideline 15.3

The chairpersons of the Audit, Nomination and Remuneration committees should be present and available to address questions at general meetings. The external auditors should also be present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

At each Annual General Meeting, the Board presents the progress and performance of the Group and encourages shareholders to participate in the question and answer session. The external auditor is present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

CG Guideline 15.3

The Chairpersons of the Audit, Nomination and Remuneration Committees, or members of the respective Committees standing in for them, are present at each Annual General Meeting, and other general meetings held by the Company, if any, to address shareholders' queries. Appropriate senior management personnel/members are also present at general meetings to respond, if necessary, to operational questions from shareholders.

CG Guideline 15.3

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CG Guideline 15.2

There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid “bundling” resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are “bundled”, companies should explain the reasons and material implications.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

CG Guideline 15.2

Commentary 15.5

Companies are encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.

A summary of the discussion at the Annual General Meeting will be made available on the Group’s website at www.pwcholdings.com.sg.

Commentary 15.5

DEALINGS IN SECURITIES

The Group has adopted an internal code on securities trading which provides guidance and internal regulation with regard to dealings in the Group’s securities by its directors and officers that is modelled on the dealing section in SGX Best Practices Guide. The Group’s internal code prohibits its directors and officers from dealing in listed securities of the Group while in possession of unpublished material or price-sensitive information in relation to such securities and during the “closed period”, which is defined as two weeks before the date of announcement of results for each of the first three quarters of the Group’s financial year and one month before the date of announcement of the full year financial results. Directors and officers are also prohibited from dealing in the Group’s securities on short-term considerations.