

RESPONSE TO SGX QUERIES ON THE COMPANY’S ANNUAL REPORT 2020

The Board of Directors (“Board”) of the Company refers to the announcement released by the Company via SGXNet on 12 April 2021 in relation to the Company’s Annual Report for the year ended 31 December 2020 (“AR 2020”).

The Board is pleased to provide the Company’s responses to the queries raised by SGX-ST on the following items in respect of the AR 2020:

Question 1:

Listing Rule 1207 (10C) requires an issuer’s audit committee’s comment on whether the internal audit function is independent, effective and adequately resourced. We note the company stated that “The AC conducted a review and concluded that the internal audit function has adequate resources to perform its functions, is independent from the activities that it audits and has appropriate standing within the Group.”

Please state if the audit committee is satisfied with the effectiveness of the internal audit function.

Company’s response:

The internal audit (“IA”) function of the Company is performed by Wensen Consulting Asia Pte. Ltd. (“Wensen”), an independent firm specialising in the provision of audit and assurance, corporate services, transaction support and risk advisory services. Wensen’s profile is disclosed in page 30 of the AR 2020.

Wensen assists the Audit Committee (“AC”) in reviewing the adequacy and effectiveness of key internal controls in accordance with the internal audit plan at least annually and all key findings, recommendations and corrective action plans are reported and presented to the AC and senior management. Information on outstanding issues and follow up on the recommendations are included in the quarterly reports to the AC, the Chairman of the Board and senior management.

The AC reviewed and approved the annual internal audit plans, ensured that the internal functions were adequately resourced with competence and had appropriate standing within the Group and cooperation of the Management to carry out its duties effectively.

The AC is satisfied with the effectiveness of the IA function.

Question 2:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the “Code”), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 2 requires an issuer to state the Company’s board diversity policy and progress made towards implementing the board diversity policy, including objectives. We note that the Company does not have a formal board diversity policy.

Please state if the Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Company's response:

The Company does not adopt a written Board Diversity Policy. However, the size and composition of the Board are reviewed from time to time by the Nominating Committee ("NC") with a view to determine the impact of its number upon effectiveness. The NC decides on what it considers an appropriate size, taking into account the scope and nature of the Company's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The composition of the Board is reviewed annually by the NC to ensure that there is an appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective of issues that are brought before the Board. Together, the Directors as a group provide core competencies in business, investment, legal, audit, accounting, management experience, and industry knowledge required for the Board to be effective.

The Board considers its current size and composition to be adequate for effective decision-making taking into account the scope and nature of the operations of the Group. The Board will however continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

Question 3:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO's exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000.

Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

Question 4:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 8 of the Code states that remuneration disclosures of at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel, providing the breakdown of remuneration, as well as disclosing remuneration on a named basis. We note the Company had declined to disclose the breakdown of remuneration of its top five (5) KMP nor did the Company disclose remuneration on a named basis.

Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

Company's response to Question 3 and 4:

The Board is of the view that it is not in the interests of the Company to disclose the exact amounts of the remuneration of the individual directors, CEO and for each of the top five KMP (who are not Directors) and the names of the Company's KMP due to the sensitive and confidential nature of such information in the highly competitive industry conditions.

With the Company's disclosure of their remuneration in bands of no wider than S\$250,000, shareholders are provided an insight into the level of remuneration paid to the Directors, CEO and the KMP. The Board believes that shareholders' interest will not be prejudiced as a result of such non-disclosure of the (i) exact amount of the Directors and CEO; (ii) amount and breakdown for each of the Company's KMP; and (iii) the names of the Company's KMP.

By Order of the Board
ENECO ENERGY LIMITED

Colin Peter Moran
Executive Director and Chief Executive Officer
03 May 2021