

GOLDEN ENERGY AND RESOURCES LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 199508589E

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of Golden Energy and Resources Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to announce the following in response to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in relation to the Company’s annual report for the financial year ended 31 December 2019, as announced on SGXNet on 15 April 2020 (the “**Annual Report 2019**”).

SGX-ST Queries

1. 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. We note that the Company had not complied with Provision 8.1 of the Code with regards to the disclosure of remuneration, and there were no explanations provided for in the Annual Report 2019 on how it is consistent with the intent of Principle 8 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company’s remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

The Company’s Response to Query 1

With regard to Provision 8.1 of the Code, the Company had on page 45 of the Annual Report 2019 complied with the disclosure of the top five key management personnel (who are not directors or the CEO) (“**KMPs**”) in bands of S\$250,000 and in aggregate the total remuneration paid to these KMPs.

While the Annual Report 2019 had not disclosed the amounts and breakdown of remuneration of each individual director and the CEO to the full extent recommended under Provision 8.1 of the Code, the Company had disclosed on page 46 of the Annual Report 2019 the reasons for deviating from Provision 8.1, as follows:

“The Company believes that it is not in the Group’s interest to disclose the remuneration of the KMPs to the full extent recommended, due to continuing confidentiality and sensitivity of executives’ remuneration and, moreover, such disclosure may hamper its ability to retain the Group’s talent pool in a competitive environment.”

As the Group operates mainly in the highly competitive coal mining industry, the disclosure of highly confidential and sensitive remuneration information of the Group’s KMPs may lead to staff poaching by competitors, which would adversely impact the Group’s operations and business.

As regards Principle 8 of the Code, as described on page 44 of the Annual Report 2019, the Company has in place a remuneration structure for its executive directors and KMPs consisting of

(a) fixed remuneration, (b) variable bonus and/or (c) other benefits. The Company's remuneration policy is intended to ensure that the level and mix of remuneration is competitive, relevant and appropriate, and is guided by the Group's long-term vision and corporate strategies. The Company has key success factors which are regularly reviewed and used to set Key Performance Indicators ("KPIs") on a shared and individual basis. Every year, the Company will formulate an annual budget for each of the business units within the organisation, setting key operational, financial and strategic KPIs. The Company also monitors and rewards individual performance achievement in the form of individual KPIs, which will be weighted according to the relevance and relative importance of each position and will form part of the individual's annual remuneration review.

Having regard to the above, the Board is of the view that the Company's practices are consistent with the intent of Principle 8 of the Code in relation to the Company's transparency on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

2. Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please also provide information on whether the head of the internal audit function team has the relevant experience and qualifications in your disclosure. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

The Company's Response to Query 2

The Audit Committee is of the opinion that the internal audit function is independent, effective and adequately resourced, for the following reasons:

- (i) The internal audit function of the Group is carried out by (a) the in-house internal audit department of the Company's subsidiary, PT Golden Energy Mines Tbk ("**GEMS**"), and (b) the Company's Head of Internal Audit, who is responsible for overseeing the work of GEMS' in-house internal audit department. The Head of Internal Audit Work Unit of GEMS ("**HIAWU**") reports to the Audit Committee of GEMS and Head of Internal Audit Function ("**HIAF**") of the Company. The HIAF, in turn, reports to the Audit Committee of the Company. On administrative matters, the HIAWU reports to the President Director of GEMS and HIAF to the CEO of the Company.

*As further described on page 48 of the Annual Report 2019: "The Internal Audit Work Units of both GEMS and GEAR ("**IAWU**") are staffed with persons with the relevant qualifications and experience. The IAWU carries out its function according to 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. The IAWU has unfettered access to the Group's documents, records, properties and personnel, including access to the AC."*

- (ii) The Audit Committee and Management hold regular Audit Committee meetings every quarter to review and discuss the IAWU's internal audit findings, recommendations and status of remediation. In the course of its audit, the HIAWU and HIAF will review the adequacy and effectiveness of the Group's material internal controls, including financial, operational, compliance and information technology controls system, and risk management. Material non-compliance, internal control weaknesses and key business risks noted during its audit and alignment plans to address these risks and weaknesses are communicated to Management accordingly and tabled for discussion at Audit

Committee meetings with updates by Management on the status of these action plans.

- (iii) The Audit Committee is satisfied that the internal audit function is independent, as the HIAF reports directly to the Audit Committee of the Company, the majority of whom are independent directors. The internal audit function has no direct operational responsibility or authority over any of the activities audited. Where there are any functions over which the HIAF has management responsibilities, the Audit Committee will commission other internal auditors (who shall not be the HIAF or her internal audit team) to provide the necessary advisory services, and report directly to the Audit Committee.

For the financial year ended 31 December 2019, the Company engaged MS Risk Management Pte Ltd (“MSRM”) to conduct an internal audit review of the Company’s internal controls for group consolidation, treasury, and investment and acquisition, and their review findings were presented directly to the Audit Committee of the Company. The MS team is headed by Ms Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms Lao is a practising member of the Institute of Singapore Chartered Accountants (“ISCA”) and a member of IIA and Singapore Institute of Directors (“SID”). She has more than 20 years of audit experience and provides audit services, documentation of policies and procedures, sustainability reporting, SOX compliance and corporate governance review to a number of public-listed companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a Manager who directly oversees the engagement team and has over 13 years of experience in providing risk management services.

MSRM is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is a member of the Institute of Internal Auditors Singapore (“IIA”) and staffed with persons with the relevant qualifications and experience.

As described on page 49 of the Annual Report 2019: *“The AC has reviewed and is satisfied that the internal audit functions are independent and are adequately resourced and have appropriate standing within the Group to perform its functions properly and effectively.”*

- (iv) The IAWU collectively comprises personnel based in Singapore and Indonesia who have in-depth knowledge and skills of internal audit standards and best practices, risks, and controls of the business processes; professional certifications (i.e., Certified Risk Professional, and Chartered Accountant); knowledge of IT General and Application Controls and the organisation’s industry; and good communication and presentation skills.

The HIAF is professionally qualified as a Fellow of Chartered Certified Accountants (United Kingdom) and a Fellow Chartered Accountant (Singapore), and holds a Master of Finance from RMIT. She is a member of the Institute of Internal Auditors (“IIA”) and is currently in the process of obtaining her IIA certification. The current HIAF has had experience in implementing the internal audit function for the Group in her prior role as the Chief Financial Officer of the Company from 2011 to 2019.

- (v) In addition, members of the internal audit team regularly attend relevant public trainings as part of the continuing professional education requirements. Collectively, the internal audit function carries out its function according to 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.

- (vi) As disclosed on page 46 of the Annual Report 2019: *“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 Board (with concurrence of the AC) is of the opinion that the Group’s internal controls including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective as at 31 December 2019.”*

By Order of the Board
Golden Energy and Resources Limited

Pauline Lee
Group Company Secretary
20 May 2020