

SPINDEX INDUSTRIES LIMITED

(Registration No. 198701451M)

RESPONSE TO SGX QUERIES ON THE ANNUAL REPORT 2020

The Board of Directors (the "**Board**") of Spindex Industries Limited (the '**Company**') and its subsidiaries (the "**Group**") refers to the queries raised by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to the Company's Annual Report for the financial year ended 30 June 2020 (the "**Annual Report**"), and wishes to provide the Company's response to such queries as follows:

- (a) **Listing Rule 1207(10C) provides that the annual report must contain the Audit Committee's comment on whether the internal audit function is independent, effective and adequately resourced.**

In this regard, please provide an explanation on how the Company has complied with Listing Rule 1207(10C).

Company's Response:

As set out on page 21 of the Annual report, the internal audit function is outsourced to Mazars LLP and it directly reports to Audit Committee ("AC"). AC approves the appointment, removal, evaluation and compensation of the internal auditor. The internal auditor has unfettered access to all the Company's records including access to the AC.

Mazars LLP are staffed with qualified professionals and carried out internal audit works based on International Standards established by The Institute of Internal Auditors. The AC also meets with the internal auditor without the presence of Management at least once a year.

The internal auditor submits their annual audit planning for approval by the AC prior to the commencement of the annual audit plan.

The AC has confirmed that for FY2020, it is satisfied that the internal audit function is independent, effective and adequately resourced.

Given the disclosures in the Annual Report, this complies to Listing Rules 1207(10C).

- (b) **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 2.4 of the Code as the Company has not disclosed its board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations provided for in your Annual Report on how it is consistent with the intent of Principle 2 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's Response:

The Nominating Committee (NC) is responsible for examining the Board size and composition to ensure effective decision making, and that the Directors as a group possesses core competencies in relevant areas. The Company does not have a formal diversity policy. However, as described in page 11 of the Annual Report, the NC reviews annually, the size and composition of the Board and Board Committees. Considering the nature and scope of the Group's operations and the number of Board Committees, the NC deemed the Board size and composition as appropriate.

Although the Chairman is not independent and the Independent Directors of the Company do not make up majority of the Board, as disclosed on page 12 of the Annual Report, there are two Independent directors and one Non-Executive director making up more than half of the Board, providing an independent element on the Board capable of exercising objective judgment and no individual or group is able to dominate the Board's decision making process.

Given the disclosures in the Annual Report under Provision 2.4, they are consistent with the intent of Principle 2 of the Code which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

- (c) **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 your Annual Report 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.

Company's Response:

The Company has disclosed the level and mix of remuneration in bands of \$250,000 and a breakdown of each Director's remuneration and fees in terms of percentage and the different components of the remuneration i.e. base/fixed salary, AWS/bonus/profit sharing, director's fees and other benefits.

In view of the competitive pressure in the industry and talent market as well as confidentiality of remuneration matters, the Board is of the opinion that it is in the better interests of the Company and its Group not to disclose in the Annual Report including the aggregate remuneration paid to the key management personnel and that the disclosure based on the above remuneration bands is appropriate.

Under the Company's disclosures under Principle 6 of the Code in its Annual Report, the Company has disclosed, among other things, that the RC adopted a set of Terms of Reference, including the following functions:

1. To review and recommend a framework of remuneration for the Chairman, Directors and key management personnel and members of Senior Management. The framework will cover the Director's fees, basic salaries, allowances, bonuses and benefits in kind.
2. To review the remuneration packages of each Director, key management personnel and all managerial staff who are related to any of the Executive Directors.

3. To recommend to the Board in consultation with key management personnel, senior management and the Chairman of the Board, any long-term incentive scheme.

No Director or Member of the RC is involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in its deliberations.

The RC is able to obtain expert professional advice on remuneration matters as and when necessary. During the year, the RC had sought and reviewed public data which is available for benchmarking and tailored specific remuneration packages to the requirement of the Company for its board and executive compensation.

The Board is satisfied that the current process and evaluations implemented are sufficient and adequate.

Given the disclosures in the Annual Report under Principle 6, read together with the disclosures under Provision 8.1, the current disclosures are consistent with the intent of Principle 8 of the Code.

BY ORDER OF THE BOARD

Tan Choo Pie @ Tan Chang Chai

Chairman

23 October 2020