
RESPONSE TO SGX-ST QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR FINANCIAL YEAR ENDED 29 FEBRUARY 2020

The Board of Directors (the “Board”) of Nico Steel Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) wishes to provide the following information in response to the queries raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 August 2020 in respect of the Company’s annual report for the financial year ended 29 February 2020 (“**FY2020**” or “**Annual Report**”) as follows : -

SGX-ST’s Query 1 :

Listing Rule 710 requires issuers to explicitly stated, 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 3.1 of the Code as the Company’s Chairman and CEO position is filled by the same person, and there were no explanations were provided in your FY2020 annual report on how it is consistent with the intent of Principle 3 of the Code. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Company’s Response :

The Board comprises six Directors with three Executive Directors (including the Chairman) and three Independent Non-Executive Directors (i.e. half of the Board).

Principle 3 of the Code states that : *“There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.”*

Provision 3.1 of the Code states that : *“The Chairman and the Chief Executive Officer (“CEO”) are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making”*

As disclosed on page 17 of the Annual Report, the Board is of the view that the current composition and culture of the Board have enable the independent exercise of objective judgement on affairs and operations of the Group by the members of the Board taking into account factors such as the contributions made by each member at the Board meetings which relate to the affairs and operations of the Group. Furthermore, half of the Board consists of Independent Directors (including a Lead Independent Director) and all the Board Committees are chaired by the Independent Directors.

The Board, with the concurrence of the Nominating Committee and Audit Committee, believes that vesting the roles of both Chairman and CEO in the same person, who has vast knowledge in the Group's business provides strong and consistent leadership effective planning and execution of long-term business strategies. In addition, the role of the Chairman and CEO will be rotated among the three Executive Directors for a period of two year each. As such, there is no need for the role of the Chairman and the CEO to be separated.

Also on page 5 of the Annual Report, in the last sentence of the first paragraph, it is stated that:

"Furthermore, leadership of the Board is not concentrated in the Executive Chairman as the Board has a lead independent director."

In view of the above, the Board believes that the existing practices adopted by the Company are consistent with the intent of Principle 3 of the Code. Nevertheless, the Board will consider complying with the requirement of Provision 3.1 of the Code for the Chairman and the CEO to be separate persons in financial year ending 28 February 2021.

SGX-ST's Query 2 :

Listing Rule 710 requires issuers to explicitly stated, when deviating from the provisions prescribed in 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. 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 breakdown of Directors' remuneration for FY2020 was shown on page 25 of the Annual Report and the remuneration of the Group's top five key management personnel, who are not directors of the Company for FY2020 was shown on page 26 of the Annual Report.

The Company has disclosed the following in the mentioned disclosures :

- Names and remuneration breakdown of individual Executive Directors (including CEO) in bands of S\$250,000;
- Names and remuneration breakdown of individual Independent Non-Executive Directors in bands of S\$250,000; and
- The number of executives and the remuneration breakdown of the top five key management personnel (who are not Directors or the CEO) in bands of S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

Principle 8 of the Code states that : *“The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.”*

Provision 8.1 of the Code states that : *“The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of :*

- (a) each individual director and the CEO; and*
- (b) 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.”*

The policies and practices adopted by the Company in relation to remuneration, relationships between remuneration, performance and value creation, and procedure for setting remuneration, in relation to Executive Directors and key management personnel had been set out on pages 23 to 27 of the Annual Report.

The Company would like to clarify that for the financial year beginning 1 March 2020, the Remuneration Committee and the Board have not recommended nor approved any change to the remuneration of each of the Executive Directors. The table on page 25 of the Annual Report discloses the remunerative mix of the Executive Directors, albeit in bands of \$250,000 and in percentages.

Since the Company only has three (3) key management personnel, and hence the Company has disclosed the aggregate remuneration paid to the top three (3) key management personnel (who are not directors or the CEO) for FY2020 was S\$312,315 on page 26 of the Annual Report.

As disclosed on page 26 of the Annual Report, the Company believes that the full disclosure of the exact quantum of the remuneration of each Director (including the CEO), and also of its key management personnel, may be prejudicial to Group’s business interests and not in the bests of the company, given the confidentiality of remuneration matters and competitiveness, key talent poaching or retention that this might bring.

Additional information on the compensation paid to all Directors (including the Executive Directors) of the Company and other key management personnel was provided in Note 26 to the Financial Statements of the Annual Report.

Considering the reasons for the deviation on disclosure from Provision 8.1 of the Code, the Board believes that there is sufficient 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, consistent with the intent of Principle 8 of the Code.

The Board wishes to advise shareholders and potential investors to exercise caution when dealing in the shares of the Company. Persons who are in doubt as to the action they should take, should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers before trading in or making any investment decision regarding the Company's securities.

BY ORDER OF THE BOARD

Tan Chee Khiong Danny
Executive Chairman & President

Date: 6 August 2020