

COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 196100159G)

RESPONSE TO QUERY FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Board of Directors (the “**Board**”) of COSCO SHIPPING International (Singapore) Co., Ltd. (the “**Company**”) and together with its subsidiaries, collectively the “**Group**”) refers to the Company’s Annual Report for the financial year ended 31 December 2020 released on 7 April 2021 (“**Annual Report 2020**”).

The Board would like to respond to the following query raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 19 April 2021 as follows:

Query:

Provision 8.1 of the Code of corporate governance 2018 (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.” (emphasis added)

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, the provision from which it has varied, explain the reason for variation and provide 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 regard to the disclosure of remuneration of each individual director and the CEO, and no explanations were provided for in the Company’s FY2020 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 on pages 37 and 38 of the Annual Report 2020, a breakdown, showing the level and mix, of each of the Directors’ remuneration, each of the top two (2) key management personnel’s (who are not Directors or the CEO) remuneration, and the aggregate total remuneration of the top two (2) key management personnel (who are not Directors or the CEO).

In particular, the Company has provided on pages 37 and 38 of the Annual Report:

- (i) full disclosure of the names and remuneration in bands of S\$250,000, with breakdowns in percentages between Fees, Salary, Bonus and Other Benefits, of all Non-Independent Executive Directors (which includes the CEO) for FY2020;
- (ii) full disclosure of the names and remuneration in bands of S\$250,000, with breakdowns in percentages between Fees, Salary, Bonus and Other Benefits, of all Non-Executive Independent Directors for FY2020;

- (iii) full disclosure of the names and remuneration in bands of S\$250,000, with breakdowns in percentages between Fees, Salary, Bonus and Other Benefits, of all Executives (being the top two (2) key management personnel (who are not Directors or the CEO)) for FY2020; and
- (iv) the aggregate remuneration paid to the top two (2) key management personnel (who are not Directors or the CEO) amounting to approximately S\$961,000 for FY2020.

While the Company's practice in relation to the disclosure of Directors' remuneration in bands of S\$250,000 varies from Provision 8.1 of the Code which requires companies to disclose the specific quantum of the remuneration of each individual director, as explained in page 38 of the Annual Report 2020:

"The Company is of the view that full disclosure of the specific remuneration of each individual Director is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

The Company is of the view that the disclosure of the indicative range of the directors and key management personnel remuneration in bands of S\$250,000 and the total remuneration of key management personnel provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the directors and other two key management personnel.

The fees to the non-executive directors are put forward to shareholders for approval on an annual basis at the Company's annual general meeting. During the year under review, there were only two personnel (who are not directors or CEO) who are considered as key management personnel of the Company. The total remuneration paid to the top two key management personnel (who are not directors or CEO) for the financial year ended 31 December 2020 is approximately \$961,000."

Notwithstanding the abovementioned deviation, the Company is of the view that such practice does not compromise its ability to be consistent with the intent of Principle 8 of the Code. The policies and practices adopted by the Company in arriving at the remuneration packages of Executive Directors and key management personnel, including disclosure on the breakdown of the components of their remuneration (which includes fixed (salary) and variable (bonus) components), the assessment process, key performance indicators, industry practice and norms in compensation and the correlation between remuneration, performance and value creation have been disclosed on pages 34 to 37 of the Annual Report 2020, not only as part of the Company's compliance with Principle 8 of the Code but also in respect of Principle 6 and Principle 7 of the Code.

In light of the foregoing, the Company believes that the level of information that has been disclosed in the Annual Report 2020 is consistent with the intent of Principle 8 of the Code and provides for sufficient transparency on the Company's remuneration policies commensurate with the remuneration of the Executive Directors and key management personnel while taking into consideration the sensitive nature of remuneration disclosure on a quantum basis, the competitive business environment the Group operates in and the potential negative impact such disclosure will have on the Group.

By Order of the Board
COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

Zhu Jian Dong
Chairman and President
21 April 2021