



(Incorporated in the Republic of Singapore)
Company Registration Number: 200410181W

**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
IN RELATION TO THE COMPANY'S ANNUAL REPORT 2020**

The Board of Directors ("**Board**") of Union Steel Holdings Limited ("**Company**", and together with its subsidiaries, "**Group**") refers to the Company's announcement in relation to the Annual Report for financial year ended 30 June 2020 released on 13 October 2020. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited on 25 October 2020 ("**SGX Query**") as follow:

SGX Query 1

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 ("**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 you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations were provided for in your FY2020 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 current Board Diversity Policy ("**Policy**") is to have a diverse range of expertise to provide core competencies such as accounting or finance, legal, business or management experience, industry knowledge to facilitate more effective discussions and better decision-making for the Company and the Group. The Nominating Committee ("**NC**") reviews and recommends to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Company. The NC is also responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities.

The Company has disclosed the above mentioned in pages 31 and 33 of the Annual Report 2020.

We confirm that the Company has complied with Provision 2.4 of the Code and in particular, with having the Policy and with progress being made towards implementing the Policy. The NC monitors the implementation of this Policy and will from time to time, review this Policy, and if appropriate, make recommendations to ensure its effectiveness.



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SGX Query 2

Listing Rule 710 requires issuers to explicitly state, 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 Provisions 8.1 of the Code with regards to the disclosure of remuneration (e.g. exact remuneration of each individual director and the CEO and the aggregate remuneration of the top five key management personnel). 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:

As disclosed in pages 34 to 36 of the Annual Report 2020, the Company has given substantial disclosures on remuneration. This includes disclosure of names and remuneration in bands, with breakdowns in percentages to Salary, Bonus, Director fee and Allowances & other benefits, of all Executive Directors, Non-Executive Director, Independent Directors and top key management personnel ("**KMP**").

As stated in Provision 8.1 of the Code, the Company has decided to disclose the remuneration of each of the directors and KMP in bands of S\$250,000 (instead of on a quantum basis). The Company has disclosed the level and mix of remuneration of each director and KMP on page 36 of the Annual Report 2020 in bands of S\$250,000 together with a detailed breakdown in percentage terms of the same.

As per the disclosure on pages 36 and 37 of the Annual Report:

"Given the general sensitivity and confidentiality of remuneration matters, the Company is not disclosing the remuneration of each Director and key management personnel of the Group. However, the Company adopts the disclosure of remuneration in bands of S\$250,000 which would provide a good overview and is informative of the remuneration of each Director and key management personnel."

"In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors and key management personnel in the Annual Report."

In view of the aforementioned reasons, the Company believes that its current disclosure is consistent with the intent of Principle 8 of the Code as shareholders are still given information on the level and mix of remuneration in percentage terms and that the interests of shareholders will not be prejudiced as a result of such non-disclosure of the total remuneration in dollar terms for the Directors as well as for Key Management Personnel.



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SGX Query 3

Listing Rule 1207(10C) requires the Audit Committee's ("AC") 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. Where the internal audit function is outsourced, please provide information on the relevant experience of accounting firm and the engagement team.

Company's response:

The Company wishes to state that, in addition to Internal Audit Function and AC's opinion, as disclosed in page 40 of the Annual Report 2020, the AC confirms that the internal audit function is independent, effective and adequately resourced, for the following reasons:

- 1) As disclosed on page 40 of the Annual Report 2020, the Company has outsourced its internal audit function to Ardent Business Advisory Pte. Ltd which is a professional services firm that specialises in the provision of Internal Audits, Governance and Enterprise Risk Management consultancy services. Ardent is a member firm of Kreston International, ranked 13th largest accounting network in the world, with presence in more than 110 countries and over 23,000 professional and support staff. Ardent was honoured with three business excellence awards (i.e. 'Winner for Best Practice Award 2016', 'Winner for Practice of the Year' award in 2014 and 'Winner for Excellence in People Development' in 2014) at the Singapore Accountancy Awards organised by the Institute of Singapore Chartered Accountants.
- 2) Ardent currently provides outsourced internal audit services to several SGX-ST listed companies. In addition, Ardent also supports SGX-ST listed companies with the provision of Enterprise Risk Management and Sustainability Reporting services.
- 3) The engagement team for the internal audit of Union Steel comprised of one senior director, a senior manager, an assistant manager and supported by two associates. The senior director has more than 20 years of audit experience whilst the senior manager has more than 10 years of audit experience.

The AC, which monitors and assesses the role and effectiveness of the internal audit function, and together with the Board, are satisfied that the Internal Auditor is independent, effective and adequately resourced, and is staffed with persons with the relevant qualifications and experience.

By Order Of The Board

ANG YU SENG

Executive Chairman and Chief Executive Officer

27 October 2020