



(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 2021

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 2021 released on 11 October 2021. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited on 20 October 2021 ("**SGX Query**") as follows:

SGX Query 1

Listing Rule 1207(10C) requires the Audit Committee's comments on whether the internal audit function is independent, effective and adequately resourced. Please provide the Audit Committee's ("**AC**") comments in this regard and where the internal audit function is outsourced, provide information on the relevant experience of the accounting firm and the engagement team.

Company's response:

As disclosed in page 40 of the Annual Report 2021, the AC, which monitors and assesses the role and effectiveness of the internal audit function, 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.

In addition, the Company wishes to state that 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 2021, 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.



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SGX Query 2

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 2.2 of the Code as independent directors do not make up a majority of the Board where your Chairman is not independent, and there were no explanations were provided for in the 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 Company is aware that it has deviated from Provision 2.2 of the Code in which states that “independent directors make up a majority of the Board where the Chairman is not independent”. The Nominating Committee (“NC”) has reviewed and deliberated, and with the concurrence of the Board and Board Committees, they have opined that the Board’s current composition of two (2) Executive Directors, one (1) Non-Executive Director and three (3) Independent Directors is presently still a strong independent element on the Board. Half of the Board is made up of Independent Directors and the number of Executive Directors does not constitute majority or equal to the number of Independent Directors. Further, the NC considers that the present Board size and number of Committees facilitate effective decision-making and are appropriate for the nature and scope of the Company’s operations.

Based on the above reasons, the Board is of the view that the practices adopted by the Company are consistent with the intent of Principle 2.2 of the Code.

SGX Query 3

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 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 the 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, business or management experience, legal and regulatory, and industry knowledge. These combined backgrounds provide the core competencies necessary to lead and govern the Group effectively. The 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, 32 and 33 of the Annual Report 2021.

We confirmed 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, as appropriate, to ensure its effectiveness.



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SGX Query 4

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 Provision 3.1 of the Code as the Company's Chairman and Chief Executive Officer ("CEO") position is filled by the same person, and there were no explanations were provided for in the 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 Company is aware that it has deviated from Provision 3.1 of the Code which states that "The Chairman and CEO are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision-making."

The Company is of the view that combining the roles of Chairman and CEO brings about exceptional leadership and clear accountability and unequalled depth of knowledge to deal with the Group's strategic challenges and growth opportunities. In view that the Company's Chairman and CEO position is filled by the same person, the Board had appointed Mr. Siau Kai Bing as the Lead Independent Director as recommended under Provision 3.3 of the Code to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Executive Chairman. He is available to shareholders when they have concerns or if contact through the normal channels of the Executive Chairman and CEO / Group Finance Manager has failed to resolve any issue or is inappropriate.

The Company had disclosed the above mentioned in page 32 of the Annual Report 2021.

The Board is of the opinion that there is sufficient independence in its exercise of objective judgment on business affairs of the Group, in compliance with the intent of Principle 3 of the Code, in which no one individual has unfettered powers of decision-making, notwithstanding that the roles of Chairman and CEO are not separate.

SGX Query 5

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 (e.g. the exact remuneration of individual directors and CEO, and the aggregate remuneration of the 5 key management personnel), and there were no explanations were provided for in the 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:

As disclosed in pages 35 to 37 of the Annual Report 2021, the Company has made substantial disclosures for 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").



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SGX Query 5 (continued)

Company's response: (continued)

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 as disclosed on page 36 of the Annual Report 2021 in bands of S\$250,000 together with a detailed breakdown in percentage terms of the same.

As per the disclosure on pages 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 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.

SGX Query 6

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 8.2 of the Code with regards to the disclosure of remuneration (e.g. the disclosure of the names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company in bands no wider than \$100,000), and there were no explanations were provided for in the 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:

As disclosed in page 37 of the Annual Report 2021, the Company has made substantial disclosures on remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company ("**Employees**"). This includes disclosure of names and remuneration in bands, with breakdowns in percentages to Salary, Bonus, Director fee and Allowances & other benefits, of the Employees.

The Company is aware that it has deviated from Provision 8.2 of the Code which states that "the company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder." In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group to disclose the remuneration at a wider band for the Employees in the Annual Report.

In view of the aforementioned reasons, the Company believes that its current disclosure is still 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 Employees.



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SGX Query 7

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 is required under Provision 9.2 of the Code to disclose in the Annual Report that it has received assurance from: (i) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Issuer's operations and finances; and the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Issuer's risk management and internal control systems.

In this regard, we note that assurances were obtained from the Group Financial Manager who is neither the CFO nor a key management personnel. Please clarify how the practices the Company had adopted are consistent with the intent of Principle 9 of the Code, which requires the Board to be responsible for the governance of risk and ensure that the Management maintains a sound system of risk management and internal controls, to safeguard the interests of the issuer and its shareholders.

Company's response:

The Company does not have a Chief Financial Officer. The Group Financial Manager (“**GFM**”) is the most senior staff member responsible for the Group's financial matters. The Company is of the view that it would be appropriate to obtain the GFM's assurance in addition to the CEO's assurance. As disclosed in page 38 of the Annual Report 2021, the CEO and the GFM had provided assurance that:-

- (1) The financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (2) The Group's risk management and internal control systems are operating adequately and effectively.

To ensure that internal controls and risk management processes are adequate and effective, the Audit Committee (“**AC**”) is assisted by independent Internal and External auditors to carry out such assessments during the financial year. Any material non-compliance or weaknesses in internal controls or recommendations from the Internal and External Auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management and on the recommendations made by both the Internal and External auditors.

Based on the internal controls established and maintained by the Group, regular reviews and audits performed by both the Internal and External auditors, the assurance from Management and the on-going review as well as the continuing efforts in enhancing controls and processes which are currently in place, the Board, with the concurrence of the AC, is of the opinion that there are adequate and effective internal controls and risk management systems in place for the Group to address financial, operational, compliance and information technology risks of the Group as at 30 June 2021.

By Order Of The Board

ANG YU SENG

Executive Chairman and Chief Executive Officer
22 October 2021