

COSCO SHIPPING INTERNATIONAL (SINGAPORE) CO., LTD.

(Incorporated in the Republic of Singapore)

(Company Registration Number: 196100159G)

**RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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 2019 released on 13 April 2020 (“**Annual Report**”).

The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 24 April 2020 as follows:

Query (a):

Provision 2.4 of the 2018 Code of Corporate Governance (the “**Code**”) states that “The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company’s annual report.”

Please disclose whether and how Provision 2.4 has been complied with. Where the Company’s practices vary from the provisions of the Code, please explicitly state the provision from which it has varied, explain the reason for variation, and explain how the practices adopted are consistent with the intent of the relevant principle in the Code as required by Listing Rule 710.

Company’s Response:

The Board is committed to achieve an appropriate balance of diversity and mix of skills, experience, gender, age and the core competencies of accounting, legal and regulatory, business or management experience and industry knowledge to avoid groupthinking and foster constructive debate.

Referring to each Director’s profile in Pages 37 to 39 of the Annual Report, the current Board possess an appropriate balance and diversity of skills, experience and knowledge of the Company, which provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge. This diversity, together with clear allocation of roles and responsibilities, facilitates constructive debate on the business activities of the Company and enables Management to benefit from a diverse and objective set of perspectives on issues that are brought before the Board.

The Company has also disclosed in Page 19 of the Annual Report that its policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, knowledge, core competencies and experience, regardless of gender. The Board together with its Nominating Committee will continuously review such policy and assess the existing attributes and core competencies of the Board to ensure Board balance and diversity.

In furtherance of the above policy, the Nominating Committee will continue to evaluate and determine the selection criteria for potential candidates with a view to promoting diversity in order to arrive at an optimum balanced composition of the Board. In its review of the composition of the Board, the Nominating Committee has considered potential candidates with the knowledge, expertise and experience to be appointed to the Board and will, where appropriate, make recommendations to the Board for new Board appointments.

In view of the foregoing, the Company believes that Provision 2.4 of the Code has been complied with.

Query (b):

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.”

In this regard, please disclose the total remuneration paid in aggregate to these key management personnel. We note that the Company has disclosed the remuneration of the directors in bands of S\$250,000. Where the Company’s practices vary from the provisions of the Code, please explicitly state the provision from which it has varied, explain the reason for variation, and explain how the practices adopted are consistent with the intent of the relevant principle in the Code as required by Listing Rule 710.

Company’s Response:

The Company has decided to disclose the remuneration of each of the directors in bands of S\$250,000 (instead of on a quantum basis) which is a deviation from Provision 8.1 of the Code. In arriving at its decision, the Company took into consideration the confidential nature and commercial sensitivity of remuneration matters. This is consistent with what is stated on Page 26 of the Annual Report that the Company believes that it should not disclose the remuneration paid to each of the Director and key management personnel due to the highly competitive industry conditions.

The total key management personnel compensation has been disclosed in Note 36(c) on Page 154 of the Annual Report and the total remuneration paid to the top two key management personnel (who are not directors or CEO) for the financial year ended 31 December 2019 is approximately S\$958,000.

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.

In view of the foregoing, the Company believes that the intent of the Principle 8 of the Code has been met.

Query (c):

Provision 8.2 of the Code 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.”

Please disclose whether and how Provision 8.2 has been complied with. Where the Company’s practices vary from the provisions of the Code, please explicitly state the provision from which it has varied, explain the reason for variation, and explain how the practices adopted are consistent with the intent of the relevant principle in the Code as required by Listing Rule 710.

Company’s Response:

In furtherance to the disclosure on Page 26 of the Annual Report, the Board confirms that none of the employees of the company who is substantial shareholder of the Company, or an immediate family member of a director, the CEO, or a substantial shareholder of the Company whose remuneration exceeds S\$100,000 during the financial year ended 31 December 2019.

Provision 8.2 has been complied with.

Query (d):

Provision 9.2 of the Code states that “The Board requires and discloses in the company’s annual report that it has received assurance from:

- (a) the CEO and the Chief Financial Officer (“CFO”) that 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
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company’s risk management and internal control systems.”

Please disclose whether and how Provision 9.2 has been complied with. Where the Company’s practices vary from the provisions of the Code, please explicitly state the provision from which it has varied, explain the reason for variation, and explain how the practices adopted are consistent with the intent of the relevant principle in the Code as required by Listing Rule 710.

Company’s Response:

As disclosed in pages 27 and 28 of the Annual Report, the Board had received the assurances stated in Provision 9.2 from the President, CFO and the key management personnel of the Company who are responsible in respect of the financial year ended 31 December 2019.

Based on the existing practices and reviews conducted by the Management and the Group’s internal auditors and external auditors for FY2019, the Board with the concurrence of the Audit and Risk Management Committee, is of the opinion that as at 31 December 2019, the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, are adequate and effective for the type and volume of business that the Group currently operates.

Provision 9.2 has been complied with.

Query (e):

Listing Rule 1207(10C) states that the annual report must contain enough information for a proper understanding of the performance and financial conditions of the issuer and its principal subsidiaries, including audit committee’s comment on whether the internal audit function is independent, effective and adequately resourced. Please disclose whether and how Listing Rule 1207(10C) has been complied with.

Company’s Response:

In furtherance to the disclosure on Page 31 of the Annual Report, the ARMC is satisfied with the independence and objectivity of the in-house internal auditors and believes that they have appropriate standing to perform their functions effectively and the internal audit function is adequately resourced.

Listing Rule 1207(10C) has been complied with.

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

Zhu Jian Dong
Chairman and President
30 April 2020