

ANNOUNCEMENT

RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S ANNUAL REPORT 2019

*Unless otherwise defined herein, all capitalised terms used in this announcement shall have the same meanings ascribed to them in the annual report for the financial year ended 31 December 2019 published by The Straits Trading Company Limited (the "**Company**") on 14 April 2020 ("**Annual Report**").*

The Board of Directors (the "**Board**") of the Company refers to the queries raised by The Singapore Exchange Securities Trading Limited ("**SGX-ST**") in its email of 4 May 2020 in relation to the Annual Report and wishes to respond as follows:

SGX-ST's Queries:

We refer to Rule 710 of the Listing Manual which provides, *inter alia* that, where an issuer's practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

- (a) Provision 2.4 of 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."

We note that the Company had not complied with Provision 2.4 of the Code as it has not disclosed its board diversity policy and progress made towards implementing the board diversity policy, including objectives. 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 interests of the Company.

- (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." (*emphasis added*).

We note that the Company had not complied with Provision 8.1 of the Code with regard to the disclosure of the amounts of remuneration of each individual director and the CEO, and at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000. 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.

The Company's Response:

- (a) The Company wishes to highlight the following disclosures made in the Annual Report:
- (i) "The Board, in concurrence with the NC, was of the view that, taking into account the Company's scope of operations and its business requirements, the current size of the Board is appropriate." (*last paragraph of page 46*);
 - (ii) "The Directors provided objective and independent judgement to the decision making of the Board. The non-executive Directors of the Company participated constructively and reviewed the Group's operations, budgets and strategies." (*first paragraph of page 47*);
 - (iii) "The Board as a group has the core competencies, such as accounting or finance, business or management experience, legal and industry knowledge, and strategic planning experience. Key information on the Directors are set out in pages 10 to 13. The Board recognises the merits of gender diversity in relation to the Board composition and, in identifying suitable candidates for new appointment to the Board, would ensure that female candidates are included for consideration. Gender is but one aspect of diversity and whilst due consideration would be given to the benefits of diversity, new Directors will continue to be selected based on merits." (*second paragraph of page 47*); and
 - (iv) "The Company has adopted a formal and transparent process for the appointment of new Directors through the NC which reviews the background of and conducts interviews with all candidates and makes recommendations accordingly to the Board for approval. Before a new Director is appointed, suitable candidates are identified. The NC looks for candidates who possess the qualities that would complement the Board's core competencies." (*penultimate paragraph of page 47*).

Based on the foregoing, whilst the Company does not have an articulated diversity policy, it is evident that the Board is diverse in terms of race, gender and skill sets. The Company has disclosed the process by which it has ensured that the Board is of an appropriate size, and comprise Directors who as a group provide the appropriate mix of skills, knowledge, experience and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate.

- (b) The Company had disclosed at page 49 of the Annual Report the remuneration of the Directors in bands of S\$250,000 and in aggregate the total remuneration paid to the key management personnel (who are not Directors or the CEO). The Company had also stated in the same page that "given the sensitive nature of employee remuneration, as well as possible pressures from both within and outside the Group upon disclosing such information, the RC has recommended and the Board has decided that the detailed disclosure of each Director's and key management

personnel's (who are not Directors or the CEO) remuneration is not in the interests of the Company".

In addition, the Company wishes to highlight the disclosures that have already been made in the seventh and eighth paragraphs of page 48 of the Annual Report, which covers the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation in respect of the Company.

The Company believes that shareholders' interest will not be prejudiced as a result of non-disclosure of each Director's and key management personnel's (who are not Directors or the CEO) remuneration. The disclosures in pages 48 and 49 of the Annual Report provides sufficient insight into the remuneration paid and as such is consistent with the intent of Principle 8 of the Code.

By Order of the Board

Aldric Tan Jee Wei
Company Secretary
The Straits Trading Company Limited

6 May 2020
Singapore

This Announcement will be available at the Company's website at <http://www.stc.com.sg>

About The Straits Trading Company Limited

Incorporated in 1887, The Straits Trading Company Limited is a conglomerate with stakes in resources, real estate and hospitality. Its investments comprise majority or strategic stakes in the world's third-largest tin producer, Malaysia Smelting Corporation Berhad, which is dual listed on Bursa Malaysia and SGX-ST; Straits Real Estate; ARA Asset Management Limited and Far East Hospitality Holdings as well as a diversified property portfolio that is wholly-owned by the Group.