



**HRNETGROUP LIMITED**

(Incorporated in the Republic of Singapore)

(Company Registration No. 201625854G)

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## RESPONSE TO SGX-ST'S QUERIES ON FY2020 ANNUAL REPORT

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The Board of Directors (the "**Board**") of HRnetGroup Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 15 April 2021 pertaining to the Company's Annual Report for the financial year ended 31 December 2020 ("**FY2020 Annual Report**") and wishes to respond to the queries as follows:

### **SGX-ST's queries (a) & (b)**

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 Provisions 2.2 and 2.3 of the Code as **independent directors do not make up a majority of the Board where your Chairman is not independent, and non-executive directors do not make up a majority of your Board, and there were no explanations were provided for in your FY2020 Annual Report on the reason for deviation and how it is consistent with the intent of Principle 2 of the Code.** Please clarify the reason for deviation and 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 Board comprises six (6) Directors of whom three (3) are Executive Directors and three (3) are Non-Executive Independent Directors ("**NEIDs**"), thus providing a strong independent element on the Board, and there are adequate safeguards and checks in place to ensure that decision making process by the Board is independent. Although the independent directors are not in a majority, the Board has always discussed important issues robustly and have always been able to reach a consensus on the votes without having to rely on any majority votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process.

The Board also has a Lead Independent Director ("**Lead ID**") to provide leadership in situations including those where Founding Chairman may be conflicted; and also chairs the last three Annual General Meetings.

Each of the 3 Board Committees is chaired by the NEIDs with the following professional background and expertise:

<b>Board Committees</b>	<b>Board Committee Chairman</b>	<b>Other NEID Roles</b>	<b>Professional Background &amp; Expertise</b>
Nominating Committee (" <b>NC</b> ")	Sin Boon Ann	<ul style="list-style-type: none"><li>• Lead ID</li><li>• AC member</li><li>• RC member</li></ul>	Legal
Audit Committee (" <b>AC</b> ")	Heng Su Ling Mae	<ul style="list-style-type: none"><li>• NC member</li><li>• RC member</li></ul>	Auditing
Remuneration Committee (" <b>RC</b> ")	Tan Ngiap Siew	<ul style="list-style-type: none"><li>• NC member</li><li>• AC member</li></ul>	Human Resources

The mix of Directors as a group provide an appropriate balance and diversity. The Board has also considered the current size, scope, nature of operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, especially in the current economic climate where cost considerations and agility of the Board in decision-making are critical to the Company. In view of the foregoing, the Board is of the view that the Board's composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2 of the Code.

### **SGX-ST's query (c)**

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 8.1 of the Code with regards to the disclosure of remuneration. 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 the following in its FY2020 Annual Report on pages 63 and 64:

- a. names and remuneration breakdown of individual Directors in bands of S\$250,000; and
- b. names and remuneration breakdown of the key management personnel ("KMPs", who are not Directors or the CEO) in bands of S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

The Board is of the view that full disclosure of the specific remuneration of each director and KMPs is not in the best interest of the Company, taking into account the sensitive nature of the subject, the highly competitive talent acquisition business environment the Group operates in and the potential impact such disclosure will have on the Group, and that the current disclosure on a named basis and in bands of S\$250,000 including the provision of a breakdown of the compensation mix is sufficient.

The policies and practices adopted by the Company in relation to remuneration, relationships between remuneration, performance and value creation, and procedure for setting remuneration, in relation to the Executive Directors and key management personnel are set out on pages 62 to 64 of the FY2020 Annual Report.

The Company's remuneration structure for its Executive Director and key management personnel comprises both fixed and variable components. The variable component is linked to the Group or Company's performance and the individual personnel's performance. Such performance-related remuneration is designed to align with the interests of shareholders and other stakeholders and promote long-term success of the Group.

In setting remuneration packages, the RC takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. The Company also ensures that the remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

The Group has entered into fixed-term service agreements with the Executive Directors, namely Sim Yong Siang ("Peter Sim"), Sim Joo Siang ("JS Sim") and Sim Wei Ling, Adeline ("Adeline Sim"). The service agreements are valid for an initial period of five years with effect from the date of admission of the Company to the Mainboard of the SGX-ST and thereafter may be renewed for an additional one-year period or such period as the parties may agree. Either party may terminate the service agreements at any time by giving the other party not less than three months' notice in writing, or in lieu of such notice, an amount equivalent to three months' salary based on Executive Directors' last drawn base salary.

For FY2020, the RC considered and approved the annual increments, variable bonus to be granted to the Executive Directors and the key management personnel based on the key performance indicators set out by the Company. Save for the share awards scheme disclosed in Provision 8.3, there were no long-term incentive schemes introduced by the Company in FY2020.

Taking into account the reasons for the deviation on disclosure of the exact quantum of the remuneration of the Directors and key management personnel, the disclosure of the Directors' and key management personnel's remuneration in various bands on pages 63 and 64 of the FY2020 Annual Report, and the disclosures on Company's remuneration policies and practices, the Board believes that there is sufficient 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, consistent with the intent of Principle 8 of the Code.

By Order of the Board

Sim Yong Siang  
Founding Chairman

19 April 2021