

# Corporate Governance Report

**HRnetGroup Limited** (the “**Company**”, and together with its subsidiaries, the “**Group**”) is committed to maintaining a high standard of corporate governance by adhering to the principles and guidelines set out in the Code of Corporate Governance 2012 (the “**Code**”), where appropriate. These principles and guidelines reflect the Board’s commitment in having effective self-regulatory corporate practices to safeguard the interests of its shareholders and maximizing long-term success of the Company and Group.

This statement outlines the main corporate governance policies and practices during the financial year with specific reference to the Code.

## 1. THE BOARD’S CONDUCT OF AFFAIRS

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

The Board of Directors (the “Board”) comprises six directors of whom three are Executive Directors and three are Independent Directors. Their combined wealth and diversity of experience enable them to contribute effectively to the strategic growth and governance of the Group.

The principal functions of the Board, in addition to carrying out its statutory responsibilities, inter alia, are as follows:

- (i) overseeing and approving the formulation of the Group’s overall long-term strategic objectives and directions, taking into consideration sustainability issues;
- (ii) overseeing and reviewing the management of the Group’s business affairs and financial controls, performance and resource allocation;
- (iii) establishing a framework of prudent and effective controls to assess and manage risks and safeguard shareholders’ interests and the Group’s assets;
- (iv) identifying the key stakeholder groups and recognize that their perceptions affect the Group’s reputation;
- (v) setting the Group’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met;
- (vi) ensuring compliance with the Code, the Companies Act (Chapter 50) of Singapore, the Company’s Constitution, the Listing Rules of Singapore Exchange Securities Trading Limited (“SGX-ST”), accounting standards and other relevant statutes and regulations; and
- (vii) assuming the responsibilities for corporate governance.

Other matters specifically reserved for the Board’s approval are those involving material acquisitions and disposal of assets, corporate or financial restructuring, major investments and expenditure, share issuances, dividends to shareholders, interested person transactions and any decision likely to have a material impact on the Company or Group from any perspective, including but not limited to, financial, operational, strategic or reputational.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

Newly-appointed directors will receive a formal letter setting out their duties and obligations, and will undergo orientation and be briefed on the business and governance practices of the Group as well as industry-specific knowledge. Prior to the initial public offering of the Company on 16 June 2017, directors who did not have prior experience as a director of a listed company had undergone relevant courses and received training to familiarize and prepare themselves for the roles and responsibilities of a director of a listed company on the SGX-ST.

# Corporate Governance Report

The Directors are also encouraged to keep themselves abreast of the latest developments relevant to the Group and attendance of appropriate courses and seminars will be arranged and funded by the Company. The external auditors update the Directors on the new or revised financial reporting standards on an annual basis. Regulatory releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board on a timely basis.

To assist in the execution of its responsibilities, the Board has, without abdicating its responsibility, established three Board Committees, comprising an Audit Committee (the “AC”), a Nominating Committee (the “NC”) and a Remuneration Committee (the “RC”). These committees function within clearly defined written terms of reference and operating procedures. The Board accepts that while these Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lie with the Board.

The Board meets regularly on a quarterly basis and ad hoc Board Committee or Board meetings are convened when they are deemed necessary. The frequency of meetings and the attendance of each Director at every Board and Board Committees meetings since the listing of the Company on 16 June 2017 and up to date of this report are disclosed in the table reflected below:

Type of Meetings	Board	AC	NC	RC
No. of Meetings Held	3	4	1	1
Name of Directors	No. of Meetings Attended			
Peter Sim	3	-	1	-
JS Sim	3	-	-	-
Adeline Sim	3	-	-	-
Sin Boon Ann	3	4	1	1
Mae Heng	3	4	1	1
NS Tan	3	3	1	1

The Board may have informal discussions on matters requiring urgent attention, which would then be formally confirmed and approved by circulating resolutions in writing. Ad hoc meetings are also convened as and when they are deemed necessary. As provided in the Company’s Constitution, the Board may convene telephonic and videoconferencing meetings.

## 2. BOARD COMPOSITION AND GUIDANCE

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

The Board comprises the following members, all of whom have the appropriate core competencies and provide a diversity of experience to enable them to effectively contribute to the Group.

Name of Directors	Date of first appointment	Nature of appointment	Position held on the Board
Peter Sim	21 September 2016	Executive / Non-Independent	Founding Chairman
JS Sim	21 September 2016	Executive / Non-Independent	Executive Director
Adeline Sim	16 May 2017	Executive / Non-Independent	Executive Director

# Corporate Governance Report

Name of Directors	Date of first appointment	Nature of appointment	Position held on the Board
Sin Boon Ann	16 May 2017	Non-Executive / Independent	Lead Independent Director
Mae Heng	16 May 2017	Non-Executive / Independent	Independent Director
NS Tan	16 May 2017	Non-Executive / Independent	Independent Director

The criterion of independence is based on the definition set out in the Code. The Board considers an “Independent” Director to be one who has no relationship with the Company, its related companies, its shareholders with shareholdings of 10% or more of the total votes attached to all the voting shares in the Company, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgment with a view to the best interests of the Company. With three Independent Directors, the Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues.

The independence of each Director is reviewed annually by the NC and the Board. Each Independent Director is required to complete a checklist annually to confirm his independence based on the guidelines as set out in the Code. Each of the Independent Directors also confirmed that they are independent and have no relationship identified in the Code except Sin Boon Ann who is currently the deputy managing director of Corporate and Finance Department and Co-head of capital markets practice in Drew & Napier LLC which provided various legal services to the related entities of the Company. Save for the fact that he is a director of Drew & Napier LLC for such legal services, Sin Boon Ann does not have any relationship with the Company, the related corporations (as defined in the Companies Act), the Company’s 10% shareholders (as defined in the Code) or the Company’s officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment with a view to the best interests of the Company. Notwithstanding that Drew & Napier LLC received fees in excess of S\$200,000 during financial year 2017 (“2017”), this is not expected to compromise Sin Boon Ann’s independence for the following reasons:

- (i) such fees constitute an immaterial percentage of Drew & Napier LLC’s overall revenue;
- (ii) such fees are paid to Drew & Napier LLC and not directly to Sin Boon Ann and accordingly, Sin Boon Ann does not receive any direct benefit; and
- (iii) any directors’ fees to be paid to Sin Boon Ann in connection with his appointment as independent director is not expected to be significant in relations to his overall annual income.

In the event that the Group engages the services of Drew & Napier LLC, the company ensures that any transaction carried out with Drew & Napier LLC is based on normal commercial terms and is subject to the review of AC, and is in compliance with the guidelines set out in the Code. In addition, the Group is required to obtain at least two separate fee proposals from similar third-party firms which are submitted together with Drew & Napier LLC’s fee proposal to AC for review and approval.

As at the date of this report, Sin Boon Ann does not have an interest of 30% or more in Drew & Napier LLC. As such, Drew & Napier LLC is not an associate of Sin Boon Ann and transactions between the Group and Drew & Napier LLC would not constitute interested person transactions for the purposes of Chapter 9 of the Listing Manual. To the extent that Drew & Napier LLC becomes an associate of Sin Boon Ann, any transactions between the Group and Drew & Napier LLC would be required to comply with Chapter 9 of the Listing Manual. Notwithstanding the foregoing, in the event that Sin Boon Ann is interested in any services proposed to be offered by Drew & Napier LLC involving the Group, he will abstain from reviewing and voting on that particular transaction (including as a member of the AC) and any legal matters involving the Group will be handled by other lawyers of Drew & Napier LLC.

In view of the above and taking into account their disclosure of independence, the Board considers all three Independent Directors, Sin Boon Ann, Mae Heng and NS Tan to be independent notwithstanding that Sin Boon Ann is the deputy managing director of Corporate and Finance Department and Co-head of capital markets practice in Drew & Napier LLC.

# Corporate Governance Report

The independence of any Director who has served on the Board beyond nine years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. None of the Independent Directors have served on the Board for a period exceeding nine years from the date of their appointments.

The Board has examined its size and is of the view that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Group and the requirements of the Group's business. There is therefore no individual or small group of individuals who dominate the Board's decision-making. With half of the Directors deemed to be independent, the Board is able to exercise independent and objective judgment on Board affairs.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The Board as a group comprises members with core competencies in accounting and finance, law, business management experience, industry knowledge, strategic planning and customer-based experience and knowledge. This enables the Management to benefit from the external and expert perspectives of the Directors who constructively challenge key issues and strategies put forth by Management.

Where necessary or appropriate, the Non-Executive Directors on the Board will meet without the presence of the Management. The Non-Executive Directors communicate regularly to discuss matters related to the Group, including the performance of the Management.

The profiles of the Directors are set out on pages 24 and 25 of this Annual Report.

### 3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

Peter Sim is the Founding Chairman of the Group since its founding in 1992.

As the Founding Chairman, Peter Sim plays a vital role in assisting the Board to develop policies and strategies and ensuring that they are implemented effectively, casting values with his exhaustive knowledge of business and industry. He ensures that decisions on important matters are made after extensive deliberation and in consultation with the entire Board. He will engage in constructive communication with shareholders at the general meetings. He exercise objective judgment on corporate matters impartially, thus ensuring a balance of power and authority. He reviews Board papers before they are presented to the Board and ensures that the information provided is accurate, and consists of authentic details.

The independent element is further strengthened by the appointment of Sin Boon Ann as the Lead Independent Non-Executive Director. The Lead Independent Non-Executive Director is available to shareholders where they have concerns and for which contact through the normal channels of Chairman or the Chief Financial Officer has failed to resolve or where such communication is inappropriate.

All the Board Committees are chaired by Independent Directors and at least half of Board consists of Independent Directors. The Chairman also facilitates the effective contribution of Non-Executive Directors and promotes high standards of corporate governance.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the Executive Directors, and the Lead Independent Director provides feedback to the Executive Chairman after such meetings as appropriate.

# Corporate Governance Report

## 4. BOARD MEMBERSHIP

### **Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

The NC is responsible for making recommendations on all board appointments and re-nominations, having regard to the contribution and performance of the Director seeking re-election.

The NC comprises Sin Boon Ann, Mae Heng, NS Tan and Peter Sim. The chairman of the NC is Sin Boon Ann. A majority of the NC, including the chairman, is independent, in accordance with Guideline 2.3 of the Code.

The written terms of reference of the NC have been approved and adopted, and they include the following:

- (a) making recommendations to the Board on all Board appointments and the composition of the Board of Directors, taking into account, among other things, the future requirements of the Group, the need for diversity on the Board as well as other considerations in accordance with the guidelines recommended under the Code;
- (b) making recommendations to the Board on relevant matters relating to the appointment and re-appointment of the directors (including alternate directors, if applicable);
- (c) regularly reviewing the structure, independence, size and composition of the Board of Directors and recommending to the Board such adjustments as it may deem necessary;
- (d) reviewing and determining annually, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in the Code and any other salient factors;
- (e) reviewing other directorships held by each director and deciding whether or not the director is able to carry out, and has been adequately carrying out, his duties as director, taking into consideration the director's number of listed company board representations and other principal commitments;
- (f) develop a process for evaluating the effectiveness and performance of the Board and its committees; and propose objective performance criteria, as approved by the Board, that allow comparison with the industry peers (if available) and address how the Board has enhanced long term shareholders' value;
- (g) assess the performance of the Board as a whole and contribution of each director to the effectiveness of the Board;
- (h) review of succession plans for directors, in particular, for the Chairman;
- (i) review of training and professional development programs for the Board; and
- (j) other acts as may be required by the SGX-ST and the Code from time to time.

Having made its review on an annual basis, taking into consideration the checklist provided by the Independent Directors as mentioned above, the NC is of the view that Sin Boon Ann, Mae Heng and NS Tan are independent.

The Company does not have a formal selection criteria for the appointment of new directors to the Board. When a vacancy arises under any circumstance, either as part of the Board renewal process or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for new directors, the NC may rely on search companies, personal contacts and recommendations for the right candidates. The NC will make reference checks, meet up with the candidates, assess their suitability, and make recommendations to the Board. Shortlisted candidates will then meet up with the other Board members before the Board approves the appointment.

# Corporate Governance Report

Board appointments are made by the Board after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended the appointment to the Board and the Board approving the appointment. Pursuant to the Constitution of the Company, each director is required to retire at least once every three years by rotation, and all newly appointed directors who are appointed by the Board are required to retire at the next annual general meeting following their appointment. The retiring directors are eligible to offer themselves for re-election.

The dates of initial appointment together with their directorships in other listed companies, are set out below:

Name of Directors	Position held on the Board	Date of first appointment	Current directorships in listed companies	Past directorships in listed companies (in last 3 years)
Peter Sim	Founding Chairman	21 September 2016	-	-
JS Sim	Executive Director	21 September 2016	-	-
Adeline Sim	Executive Director	16 May 2017	-	-
Sin Boon Ann	Lead Independent Director	16 May 2017	CSE Global Limited Rex International Holding Limited SE Hub Ltd OUE Limited	Courage Marine Group Limited MFS Technology Ltd Swee Hong Limited Transcorp Holdings Limited
Mae Heng	Independent Director	16 May 2017	Apex Healthcare Berhad Ossia International Limited Pacific Star Development Limited	Asiatravel.com Holdings Ltd
NS Tan	Independent Director	16 May 2017	-	-

According to Article 94 and Article 100 of the Company's Constitution, Peter Sim, Adeline Sim, Sin Boon Ann, Mae Heng and NS Tan, will retire at the Company's forthcoming annual general meeting and will be eligible for re-election. The Board has accepted the NC's recommendation for the re-election of Peter Sim, Adeline Sim, Sin Boon Ann, Mae Heng and NS Tan. In making the recommendation, the NC had considered the Directors' overall contribution and performance.

When a director has multiple board representations, the NC also considers whether or not the director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that only two of the directors, Sin Boon Ann and Mae Heng have multiple board representations. The NC is of the view that the matter relating to multiple board representations should be left to the judgment of each Director given that time requirements for different board representations vary. And as such, the NC and the Board have decided that there is no necessity to determine the maximum number of listed company board representations which a director may hold at this point in time.

Each member of the NC has abstained from reviewing and voting on any resolution relating to the assessment of his performance and independence, or his re-nomination as Director, or in any matter where he has an interest.

The Company does not have any alternate director on Board.

Key information regarding the directors, are set out on pages 24 and 25 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

# Corporate Governance Report

## 5. BOARD PERFORMANCE

**Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

The Board's performance is linked to the overall performance of the Group. The Board ensures that the Company is in compliance with the applicable laws, and members of the Board are required to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The NC is responsible for assessing the effectiveness of the Board as a whole and the Board Committees, and the contribution of the Chairman and each individual Director to the effectiveness of the Board. The NC has established a review process and proposed objective performance criteria set out in assessment checklists which are approved by the Board. The NC assesses the Board's effectiveness as a whole by completing a Board Assessment Checklist, which takes into consideration factors such as the Board's structure, conduct of meetings, risk management and internal control, and the Board's relationship with the Management. The NC assesses the individual Directors' performance, by taking into consideration factors such as commitment of time for meetings, level of participation and contribution at such meetings and the technical knowledge of the Directors.

In view of the size and composition of the Board, whereby all Independent Directors sit in the various Board Committees, the Board deems that there would be no value add for the NC to assess the effectiveness of each Board Committee.

The performance criteria are not subject to changes from year to year. Nonetheless, where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such changes.

The Board and the NC have endeavored to ensure that directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They have also ensured that each Director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

For FY2017 under review, no external facilitator has been engaged to perform the Board assessment process. Where relevant and when the need arises, the NC will consider such an engagement.

## 6. ACCESS TO INFORMATION

**Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.**

Directors are furnished with detailed, adequate and timely information concerning the Group from the Management, to support their decision-making process and allow them to discharge their duties and responsibilities by acting in the best interest of the Group and its shareholders. Any additional materials or information requested by the Directors to make informed decisions are promptly furnished by Management.

Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the Directors in advance of Board meetings, followed by the Board papers, in order for the Directors to be adequately prepared for the meetings.

The Board (whether individually or as a whole) has separate and independent access to the Management, internal auditors, external auditors and the Company Secretaries at all times, and may seek independent professional advice, if necessary, at the expense of the Company. The Company Secretary attends all Board meetings and ensures that all Board procedures are followed. Where the Company Secretary is unable to attend any Board meeting, he ensures that a suitable replacement is in attendance and that proper minutes of the same are taken and kept. The Company Secretaries also ensure that the Company complies with the requirements of the Companies Act, Chapter 50 of Singapore, and the Listing Rule of SGX-ST. The appointment and removal of the Company Secretary are subject to the Board's approval.

# Corporate Governance Report

## 7. REMUNERATION MATTERS

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

The RC makes recommendations to the Board on the framework of remuneration, and the specific remuneration packages for each Director. The RC comprises NS Tan, Sin Boon Ann and Mae Heng, all of whom are Independent Directors. The chairman of the RC is NS Tan.

The terms of reference of the RC have been approved and adopted. The duties and powers of the RC include the following:

- (a) reviewing and recommending to the Board, in consultation with the Chairman of the Board (where applicable, such as in a case where the Chairman of the Board is not a member of the RC), for endorsement, a comprehensive remuneration policy framework and general framework and guidelines for remuneration of the directors and key management personnel;
- (b) reviewing recommendations made by the GROW Committee with regards to the administration of the 123GROW Plan, including the Opp 1 Plan, the Opp 2 Plan and the HRnet GROW Plan, and recommending the same with such adjustments or modifications as it may deem necessary, to the Board, for endorsement;
- (c) reviewing and recommending to the Board, for endorsement, specific remuneration packages for each of the directors and the key management personnel;
- (d) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service;
- (e) recommending to the Board, for endorsement, performance targets for assessing the performance of each of the Executive Directors and key management personnel; and
- (f) other acts as may be required by the SGX-ST and the Code from time to time.

The members of the RC are familiar with executive compensation matters as they manage their own businesses, have held and/or are holding other senior positions and directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2017.

The RC's recommendations will be submitted for endorsement by the Board. Each RC member does not participate in discussions, and abstains from decision-making, in relation to any remuneration, compensation, options or any form of benefits to be granted to him/her. No director is involved in deciding his/her own remuneration, compensation or any form of benefits to be granted to him/her.

The RC reviews the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous with an aim to be fair and avoid rewarding poor performance.

## 8. LEVEL AND MIX OF REMUNERATION

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.**

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 Executive Officers. The remuneration package is designed to allow the Company to better align the interests of the Executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance.

# Corporate Governance Report

The Independent Directors receive directors' fees for their effort and time spent, responsibilities and level of contribution to the Board and Board Committees, and are subject to shareholders' approval at annual general meetings.

Remuneration for the Executive Directors comprises a basic salary component and a variable component that is the incentive bonus, based on the performance of the Group as a whole.

The Group has entered into fixed-term service agreements with the Executive Directors, namely Peter Sim, JS Sim and 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.

Save for the share awards scheme disclosed in Principle 9, there were no long term incentive schemes introduced by the Company in FY2017.

## 9. DISCLOSURE ON REMUNERATION

**Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

The Board is of the view that full disclosure of the specific remuneration of each individual director, key management personnel and the immediate family member of the directors is not in the best interests of the Company, taking into account the sensitive nature of the subject, the high competitive business environment the Group operates in and the potential negative 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 in percentage terms is sufficient.

The level and mix of remuneration paid or payable to the Directors and key management personnel for FY2017 are set out as follows:

Name of Directors	Salary <sup>(1)</sup> %	Bonus <sup>(2)</sup> %	Director's Fees <sup>(3)</sup> %	Other Benefits %	Total Compensation %
<b>DIRECTORS</b>					
<b>S\$1,750,000 to S\$1,999,999</b>					
JS Sim	21	79	-	-	100
<b>S\$1,250,000 to S\$1,499,999</b>					
Peter Sim	40	60	-	-	100
<b>S\$250,000 to S\$499,999</b>					
Adeline Sim	60	14	-	26	100
<b>Below S\$250,000</b>					
Sin Boon Ann	-	-	100	-	100
Mae Heng	-	-	100	-	100
NS Tan	-	-	100	-	100

# Corporate Governance Report

Name of Key Management Personnel	Salary <sup>(1)</sup> %	Bonus <sup>(2)</sup> %	Director's Fees <sup>(3)</sup> %	Other Benefits %	Total Compensation %
<b>KEY MANAGEMENT PERSONNEL</b>					
<b>S\$750,000 to S\$999,999</b>					
Lorencz Tay Yuh Shiuan	37	62	-	1	100
<b>S\$500,000 to S\$749,999</b>					
Madeline Wan Poh Cheng	42	56	-	2	100
<b>S\$250,000 to S\$499,999</b>					
Jennifer Kang Ah Eng	98	-	-	2	100
<b>Below S\$250,000</b>					
Daisy Tan	88	10	-	2	100

**Notes:**

- (1) The salary amount shown is inclusive of allowances and statutory contributions to the Central Provident Fund.
- (2) The bonus amount shown is inclusive of statutory contributions to the Central Provident Fund.
- (3) Director's fees are subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

The remuneration of employee who is immediate family members of the Company's Directors and whose salary exceeds S\$50,000 for FY2017 is set out below.

Name of Immediate Family Member of Director	Position held	Family Relationship with Directors
<b>Below S\$250,000</b>		
Sim Wei Wen, Aviel ("Aviel Sim")	Consulting Director	Son of Peter Sim, brother of Adeline Sim

The aggregate remuneration paid to the key management personnel of the Group (who are not directors or CEO) in FY2017 amounted to S\$2.1million.

There are no termination, retirement or post-employment benefits that are granted to the Directors and the key management personnel of the Group.

The Company had adopted a share awards scheme known as the 123GROW Plan. The GROW Committee comprises Peter Sim, JS Sim and Adeline Sim. The GROW Committee, which is authorised and appointed by the Board to administer the 123 GROW Plan, reports directly to the RC with its recommendations.

The 123GROW Plan which comprises (a) Opp 1 Plan, (b) Opp 2 Plan and (c) HRnet GROW Plan in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company at an Extraordinary General Meeting held on 24 May 2017. Opp 1 Plan and Opp 2 Plan are one-off schemes which commence prior to the Company listing on the SGX-ST while HRnet GROW Plan is the employee share incentive plan which commences after the listing on 16 June 2017. As at the date of this statement, no share awards under the HRnet GROW Plan has been granted.

The participants of Opp 1 Plan and Opp 2 Plan, who are directors and employees of the Group, will receive fully paid ordinary shares of the Company ("bonus shares"). The bonus shares are granted to eligible participants when they subscribed to the plan and these shares will be allotted and issued in 3 equal tranches over a period of 3 years when all vesting conditions are met for each of the 3 years.

# Corporate Governance Report

Awards comprising an aggregate of 6.8 million bonus shares have been granted under the Opp 1 Plan and Opp 2 Plan on 19 June 2017. More details of Opp1 Plan and Opp2 Plan can be found on pages 46 and 47, in the “Directors’ Statement” of this Annual Report.

The RC from time to time and where necessary will seek advice from external remuneration consultant in framing the remuneration policy and determining the level and mix of remuneration for directors and key management personnel. None of the members of the RC or any director is involved in deliberations in respect of any remuneration, compensation or any form of benefits to be granted to him/her.

## 10. ACCOUNTABILITY

**Principle 10: The Board should present a balanced and understandable assessment of the company’s performance, position and prospects.**

The Board understands its accountability to the shareholders on the Group’s performance, financial position and prospects. The objectives of the presentation of the annual and interim financial statements announcements to its shareholders are to provide the shareholders with a balanced and understandable analysis and explanation of the Group’s financial performance and position, and prospects.

The Board reviewed the Group’s financial statements, overall business operation, operational practices and procedures at the quarterly Board meetings and discussed or be updated on the relevant legislative and regulatory requirements either at Board meetings or via electronic mails. In line with the Listing Rules, the Board provides a negative assurance confirmation to the shareholders in respect of the interim financial statements.

The Management understands its role in providing all members of the Board with management accounts and such explanation as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group’s performance, financial position and prospects.

## 11. RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders’ interests and the company’s assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost effective control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has implemented a system of internal controls designed to provide reasonable but not absolute assurance that assets are safeguarded, proper accounting records are maintained, operational controls are adequate and business risks are suitably managed. The Board oversees the Management in the design, implementation and monitoring of the risk management and internal control systems, and reviews the adequacy and effectiveness of such systems at least annually.

The internal auditors conduct annual reviews of the effectiveness and have presented their internal audit plan to the AC and the Board in FY2017, to assist the AC and the Board in their review of the Group’s key risk management and internal control systems, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendations for improvement, are reported to the AC and the Board. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The Board has received assurance from the Chairman and the Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2017 give a true and fair view of the Company’s operations and finances, and (b) regarding the effectiveness of the Company’s risk management and internal control systems.

# Corporate Governance Report

Based on the assurance from the Chairman and Chief Financial Officer referred to in the preceding paragraph, the various internal controls put in place by the Group, the work performed and reports submitted by the internal auditors of the Group and the reviews carried out by the Board and the AC, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing financial, operational, compliance and information technology controls, were adequate and effective as at 31 December 2017.

## 12. AUDIT COMMITTEE

**Principle 12: The Board should establish an Audit Committee (“AC”) with written terms of reference, which clearly set out its authority and duties.**

The AC comprises Mae Heng, Sin Boon Ann and NS Tan, all of whom are Independent Directors. The chairman of the AC is Mae Heng. No former partner or director of the Company’s existing audit firm or auditing corporation is a member of the AC. The members of the AC have sufficient accounting or financial management expertise, as interpreted by the Board in its business judgment, to discharge the AC’s functions.

The written terms of reference of the AC have been approved and adopted. The main duties and powers of the AC include to:

- (a) undertake such other reviews and projects as may be requested by the Board and assist the Board in discharging its statutory responsibilities on financing and accounting matters;
- (b) review significant financial reporting issues and judgments to ensure the integrity of the financial statements and any announcements relating to financial performance;
- (c) review and report to the Board on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems at least annually;
- (d) review, with the external auditors, their evaluation of the system of internal accounting controls;
- (e) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors;
- (f) review the risk management structure and any oversight of the risk management process and activities to mitigate and manage risk at acceptable levels determined by the Board;
- (g) review the statements to be included in the annual report concerning the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems;
- (h) review, with the internal auditor, his evaluation of the implementation and effectiveness of the Compliance Framework, and overseeing the Compliance Committee;
- (i) review any matters escalated by the Compliance Committee and making recommendations to the Compliance Committee and, if necessary or appropriate, the Board with a view to resolving or mitigating such matters;
- (j) review any interested person transactions as defined in the Listing Manual;
- (k) review and approve all hedging policies and types of hedging instruments to be implemented by the Company, if any;
- (l) monitor and review the effectiveness of the internal audit function;

# Corporate Governance Report

- (m) appraise and report to the Board on the audits undertaken by the external auditors and internal auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- (n) make recommendations to the Board on the proposals to shareholders on the appointment, re-appointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor;
- (o) review any actual or potential conflicts of interest that may involve the Directors as disclosed by them to the Board and exercise directors' fiduciary duties in this respect;
- (p) review the policy and arrangements for employees and any other persons to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow such concerns to be raised, proportionate and independent investigation of such matters and appropriate follow up action to be taken;
- (q) review and discuss with the external and internal auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;
- (r) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- (s) generally undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

The AC has full authority to investigate any matter within its terms of reference, full access to and cooperation from the Management, and full discretion to invite any Director, Executive Officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC meets with the external and internal auditors without the presence of the Management, at least annually.

The external auditors update the AC on any changes in accounting standards impacting the financial statements of the Group before an audit commences.

The AC discusses and reviews the key audit matter with both management and auditor. The AC concluded that Group accounting policies with regard to revenue recognition have been adhered to and that judgments made remain appropriate.

The fees paid by the Company to the external auditors in FY2017 for audit and non-audit services amounted to S\$413,000 and S\$165,000, respectively. The AC, having undertaken a review of all non-audit services provided by the external auditors, is of the opinion that such services would not affect the independence of the external auditors.

The Company has complied with Rules 712 and 715 of the Listing Rules in relation to its external auditors.

The Group has implemented a whistle-blowing policy. The policy aims to provide an avenue for employees and external parties to raise concerns about misconduct or improprieties in the Group and at the same time assure them that they will be protected from victimization for whistle-blowing in good faith. Cases that are significant are reviewed by the AC for adequacy of investigation actions and resolutions.

# Corporate Governance Report

## 13. INTERNAL AUDIT

**Principle 13: The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.**

The Board recognises the importance of maintaining a sound system of internal controls to safeguard the shareholders' investments and the Group's assets. The Company outsources the internal audit function to an external professional firm to perform the internal audit function, review and test of controls of the Group's processes. The AC approves the appointment of the internal auditors. The internal auditors report directly to the chairman of the AC and has full access to the Company's documents, records, properties and personnel.

In FY2017, the Board has engaged RSM Risk Advisory Pte Ltd as its internal auditors to review the pre-selected areas of the operations of the Group. The AC, having considered, amongst others, the reputation and track record of RSM Risk Advisory Pte Ltd and the qualifications, experience and availability of resources and independence of the team at RSM Risk Advisory Pte Ltd, is satisfied that the appointment of RSM Risk Advisory Pte Ltd as internal auditors is appropriate.

The internal auditors plan its internal audit schedules in consultation with, but independent of, the Management. The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit. The AC will review the activities of the internal auditors, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The AC is satisfied with the adequacy and effectiveness of the Company's internal audit function.

## 14. SHAREHOLDER RIGHTS

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

The Company strives for timeliness and consistency in its disclosures to shareholders. It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcements via SGXNET. Such announcements are communicated on an immediate basis, or as soon as possible where immediate disclosure is not practicable due to confidentiality reasons. The Company does not practice preferential and selective disclosure to any group of shareholders.

Shareholders are informed on a timely basis of general meetings through notices published in the newspapers and through reports or circulars sent to all shareholders. The Board strongly encourages shareholders' participation during the general meetings. Resolutions are passed through a process of voting and shareholders are entitled to vote in accordance with established voting rules and procedures.

The Constitution of the Company allows a member who is a relevant intermediary to appoint two or more proxies to attend annual general meetings, so that shareholders who hold shares through a relevant intermediary can attend and participate in general meetings as proxies.

## 15. COMMUNICATION WITH SHAREHOLDERS

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

The Company recognises that effective communication leads to transparency and enhances accountability. The Company regularly conveys pertinent information, gathers views or input, and addresses shareholders' concerns. In this regard, the Company provides timely information to its shareholders via SGXNET announcements and news releases and ensures that price-sensitive information is publicly released and is announced within the mandatory period. The Company does not practice selective disclosure.

# Corporate Governance Report

The Company currently does not have a fixed dividend policy. The form, frequency and amount of future dividends that the Directors may recommend or declare in respect of any particular year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Directors:

- the Company's financial position, results of operations and cash flow;
- the ability of the subsidiaries to make dividend payments to the Company;
- the expected working capital requirements to support the Group's future growth;
- the ability to successfully implement the Group's future plans and business strategies;
- the passage of new laws, adoption of new regulations or changes to, or in the interpretation or implementation of, existing laws and regulations governing the operations;
- general economic conditions and other factors specific to the industry or specific projects; and
- any other factors deemed relevant by the directors at the material time.

The Board intends to declare and distribute dividends of at least 50% of the Company's net profit after tax (excluding exceptional items) in each of FY2017 and FY2018 to its shareholders to reward Shareholders for participating in the Group's growth.

During FY2017, the Board proposed a final dividend of 2.3 cents per ordinary share. The full year dividend payout for FY2017 would constitute 50% of net profit after tax (excluding exceptional items) in FY2017 subject to shareholders' approval at the forthcoming annual general meeting.

## 16. CONDUCT OF SHAREHOLDER MEETINGS

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

All shareholders of the Company will receive the notice of the annual general meeting and the annual report will be available for download from the Company's website and SGXNET. The notice will also be advertised in a local newspaper and made available on SGXNET. The Company encourages shareholders' participation at annual general meetings, and all shareholders are given the opportunity to voice their views and to direct queries regarding the Group to directors, including the chairperson of each of the Board committees. The Company's external auditors are also present to assist the Board in addressing any relevant queries from shareholders. Minutes of general meetings, including relevant substantial comments or queries from shareholders relating to the agenda of the meeting and responses from the Board or the Management, are available to shareholders upon their request.

The Company also ensures that there are separate resolutions at general meetings on each distinct issue. The Board supports the Code's principle of encouraging shareholder participation. The Constitution of the Company currently allows a member of the Company to appoint up to two proxies to attend and vote at general meetings. The Company will put all resolutions to vote by poll and announce the detailed results after the conclusion of the annual general meeting.

## DEALINGS IN SECURITIES OF THE COMPANY

In compliance with the Listing Rules on dealings in securities, Directors and employees of the Company are advised not to deal in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. The Company shall not deal in and prohibits dealings in its shares by its Directors, officers and employees during the period commencing two weeks and one month before the announcement of the Company's quarterly and full-year financial statements respectively, and ending on the date of the announcement of the results.

# Corporate Governance Report

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Details of the additional interested person transactions of S\$100,000 and above entered during FY2017 are as follows:

<b>Name of Interested Persons and Transactions</b>	<b>Aggregate value of all interested person transactions during the year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S\$'000</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) S\$'000</b>
	<b>Full Year ended 31 December 2017</b>	<b>Full year ended 31 December 2017</b>
<b>RecruitFirst Limited</b> <sup>(1)</sup> Working capital loan	1,025	Nil

(1) Aviel Sim, who is one of the controlling shareholder, son of Peter Sim and brother of Adeline Sim, holds 20% of the equity interest in RecruitFirst Limited. Accordingly, RecruitFirst Limited is an associate of Aviel Sim and an interested person in relation to the Group.

## MATERIAL CONTRACTS

Save for the service agreements entered with the Directors, there were no material contracts of the Group involving the interests of each Director or controlling shareholder, either still subsisting at the end of FY2017 or if not then subsisting, entered into since the end of the previous financial year.

## USE OF IPO PROCEEDS

Pursuant to the Company's IPO, the Company received gross proceeds from the IPO of approximately S\$174.1 million.

The utilisation of the gross proceeds from the Company's initial public offering as of 31 December 2017 is set out as below:

	<b>Amount utilised</b> <b>S\$ million</b>
Underwriting commission	4.7
Professional fees and other miscellaneous expenses (including listing fees)	4.4
Purchase of marketable securities	4.4
	<u>13.5</u>