



ZHENENG JINJIANG ENVIRONMENT HOLDING COMPANY LIMITED

浙能锦江环境控股有限公司

(Company Registration Number: 245144)

(Incorporated in the Cayman Islands on 8 September 2010)

RESPONSES TO SGX-ST'S QUERY REGARDING FY2022 ANNUAL REPORT

The Board of Directors (the “**Board**”) of Zheneng Jinjiang Environment Holding Company Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the query from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) dated 21 April 2023 regarding the Company’s Annual Report for the financial year ended 31 December 2022 (the “**FY2022 Annual Report**”). The Company sets out the SGX-ST’s query and its responses as follows:

Question: 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 which provides 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.

We note that the Company had not provided the disclosure of the Directors’ and top key management personnel (KMP) remuneration in bands or in dollar value and also did not disclose the aggregate value of the remuneration of the top KMP in the Company in its FY2022 annual report. As the Company has not disclosed any indication of the values of remuneration, please clarify how the practices the Company had complied 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.

Response: Notwithstanding that the remuneration of the directors and KMP was not disclosed in bands or in dollar value and that there was no disclosure of the aggregate value of the remuneration of the KMP, the following disclosures have been included on pages 112, 113 and 115 of the Company’s FY2022 Annual Report to provide 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:

- (a) the Company has put in place a performance-based framework of remuneration for its executive directors and KMP, with key areas of focus on pay for performance, competitive remuneration and accountability and risk-taking;
- (b) a significant and appropriate proportion of executive directors’ and KMP’s remuneration is structured so as to link rewards with the achievement of corporate and individual performance targets in an objective and equitable way and reflects the degree of responsibility held by the relevant person, to align with the interests of shareholders and other stakeholders and promote the long-term success of the Company;

- (c) specifically, the remuneration package of executive directors and KMP is made up of both fixed and variable components. The fixed component is essentially base salary and fixed allowances. The variable component is determined based on the performance of the individual employee as well as the Group's performance. It is made up of year-end bonus and other benefits. Disclosures of the relative proportions of the various components of the remuneration of the executive directors and KMP of the Company have been made on page 114 of the FY2022 Annual Report; and
- (d) the remuneration package is periodically considered and reviewed by the Remuneration Committee to ensure that the level and structure of remuneration is appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives, and the long-term interests and risk policies of the Company.

The Company believes that the above disclosures provide a reasonable amount of information on the Company's remuneration framework to enable shareholders to have an adequate appreciation of the remuneration of its directors and KMP and to understand the link between the Company's performance and the remuneration of the executive directors and other top four KMP.

Further, the Company has disclosed the reasons for deviating from Provision 8.1 of the Code on pages 114 and 115 of the FY2022 Annual Report, being the confidentiality and commercial sensitivity attached to remuneration matters, in particular those of the KMP, given the highly competitive PRC waste-to-energy sector that the Group operates in. The Company would like to further elaborate that disclosures in accordance with Provision 8.1 may hamper the Company's ability to retain and nurture the Group's talent pool as it increases the risk of having our executive directors and KMP being poached individually and/or collectively, therefore affecting both our ability to nurture a sustainable talent pool and ensuring the smooth continuity of leadership to achieve the strategic business and operational objectives of the Group.

As announced by the Company on 19 April 2023, the Board will disclose the names, amounts and breakdown of remuneration paid to each individual director in the annual report of the Company for the financial year ending 31 December 2024 in accordance with the requirements of Rule 1207(10D) of the Listing Manual of the Singapore Exchange Securities Trading Limited. The Company will be continuing to review the disclosure of the remuneration of the directors and KMP on an annual basis.

Taking into account the existing disclosures in the FY2022 Annual Report on the remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation, as well as the reasons for deviating from Provision 8.1 of the Code, the Board is of the view that the Company has complied with the intent of Principle 8 of the Code.

BY ORDER OF THE BOARD

Wei Dongliang
Executive Chairman
23 April 2023