



Securities Investors Association (Singapore)

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GST Reg No: M90367530Y

Issuer: NSL Ltd.

Stock code: N02

Meeting details:

Date: 29 April 2022

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. Would the board/management provide shareholders with greater clarity on the following financial and operational matters? Specifically:

- (i) **Strategic review:** In Note 11 (page 74 – Disposal group classified as held for sale), the company stated the following:

On 5 November 2021, the Group’s management and shareholders approved the sale of its equity interest in its subsidiaries, Kemboja Sejahtera Sdn Bhd and Kuara Atrah Sdn Bhd and certain assets of Lime Treat Trading Co. Sdn. Bhd. The disposals are part of the group’s strategic review to streamline and dispose its non-core assets. The sale is expected to be completed within one year.

Can the company clarify what it means when it disclosed that “the group’s management and shareholders” approved the sale of the subsidiaries and certain assets on 5 November 2021? Was an EGM held?

Can the board also clarify if the group has carried out a strategic review? If so, what was the scope of the strategic review? Would the board be updating shareholders and investors on the findings of the strategic review? What are the non-core assets that have been identified?

- (ii) **Finland:** Given the war in Ukraine, how have the group’s operations in Finland, Norway and Germany been affected?
- (iii) **Dubai Precast (DP):** The company recognised Dubai Precast as a 45% owned investee as a subsidiary as it is entitled to 80% of the dividends declared by DP. The company also has the ability to appoint a majority of the directors of DP. As shown in Note 21 (pages 86 & 88 – Investments in subsidiaries), DP continues to make losses of \$(2.2) million in FY2021 (FY2020: \$(6.8) million) and it is in a net liabilities position of \$(34.4) million. **Please provide a holistic overview of the operating environment in Dubai and help shareholders better understand DP’s business model. What are management’s plans to turn around DP? What is the strategic value of DP to the group?**

Q2. As reported in the local media, NSL Oilchem Logistics was fined for the illegal discharge of trade effluent, or liquid waste created by businesses, into public sewers on two occasions. It was convicted of three charges on 12 October 2022 for the two incidents on 24 September 2020 and 26 October 2020. NSL Oilchem Logistics was also fined for a similar offence in 2018.

The article can be found here:

<https://www.straitstimes.com/singapore/environment/waste-management-firm-fined-17000-for-illegal-discharge-into-tuas-sewers>

NSL Oilchem Logistics is a 87.7% owned subsidiary of the company that is engaged in the trading of oil products and the disposal of oil and chemical wastes.

In summary, it was noted that:

- During a routine inspection on 24 September 2020, the national water agency, PUB, found that NSL Oilchem Logistics had discharged trade effluent containing heavy metals beyond permissible levels into the public sewers.
- This came after PUB detected abnormally high levels of regulated substances and chemical oxygen demand (COD) at night in public sewers in Tuas during its regular sampling on several occasions.
- During a surprise late-night inspection on 26 October 2020, the agency caught the firm's personnel illegally discharging liquid waste.
- PUB noted that NSL Oilchem Logistics had tampered with the monitoring equipment and sampling tubes placed at the inspection chamber to avoid detection.
- Such acts disrupt the used water reclamation processes and endanger the health and safety of PUB's workers.

In the section on "Corporate social responsibility" in the annual report, it was stated that the group "cares about and protects the environment" and highlighted its offering of green products, as well as its efforts in minimising energy, waste and emissions, and ensuring environmental compliance.

- (i) **Has the board reviewed the repeated offences by its subsidiary? Was an independent review carried out after it was fined for being caught in 2018? If so, what were the findings? Does the group have the culture of protecting the environment?** It is disappointing that a subsidiary that engages in the disposal of oil and chemical waste has been fined twice by PUB for illegal discharges into the public sewers. **Were the acts by NSL Oilchem Logistics motivated by profits/profit targets?**
- (ii) **Would the board help shareholders understand if the group is committed to the protection of the environment? Has the board taken ownership of the group's ESG efforts, including setting the right tone at the top and ensuring environmental compliance?**
- (iii) **How does the board ensure that the CSR/ESG statements translate to real, positive actions on the ground that achieve the desired outcomes?**
- (iv) **Has the board held those responsible for the discharge accountable for their actions? What roles did the senior management team/board play?**
- (v) **Would it be necessary to carry out an independent audit to assess the group's compliance and sustainability practices in the whole group to ensure compliance?**

- (vi) **Please also help shareholders better understand the improvements made to the group's operations in terms of compliance and monitoring.**

Q3. At the annual general meeting scheduled to be held on 29 April 2022, the company is seeking shareholders' approval on the payment of directors' fees of \$614,000 for the financial year ended 31 December 2021.

The proposed amount of \$614,000 is higher than the level of directors' fees paid in the past two years (\$562,000). The detailed breakdown of the fees paid to the directors can be found on page 29 of the annual report and reproduced below:

Remuneration and Benefits of Directors and Key Executives

(Principle 8)

In line with the guidance under Provisions 8.1 and 8.3 of the 2018 Code, the level and mix of each of the Directors' remuneration, and that of each of the top 5 key executives (who are not directors), are set out below:

(a) Directors

Remuneration Band & Name of Director	Base / Fixed Salary⁽¹⁾ S\$'000	Variable or Performance-related Income / Bonuses⁽¹⁾ S\$'000	Directors' Fees S\$'000	Benefits-in-kind S\$'000	Share Options Granted⁽²⁾ S\$'000	Total Compensation S\$'000
Non-Executive Directors						
Prof CHAM Tao Soon	-	-	152	-	-	152
BAN Song Long	-	-	102	-	-	102
David FU Kuo Chen	-	-	96	-	-	96
John KOH Tiong Lu	-	-	120	-	-	120
Dr TAN Tat Wai	-	-	90	-	-	90
Executive Director						
Dr LOW Chin Nam	342	25	54	25	-	446

(1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.

(2) No options were granted during the financial year.

(Source: company annual report)

- (i) **Would the board help shareholders better understand the reasons for the increase in directors' fees?**

In addition, disclosed in the statement of corporate governance, each of Prof Cham Tao Soon, Mr John Koh Tiong Lu and Dr Tan Tat Wai is an independent director who has served for more than nine years. Each of them had sought the requisite approvals under the Two-tier Voting Process for their continued appointment as independent directors.

In fact, the directors were first appointed in 1988, 2003 and 1993 respectively. Their tenures range from over 19 years to almost 34 years. Collectively, the tenures of the three directors add up to more than 82 years.

- (ii) **Given the long tenures of the directors, how do the directors avoid groupthink during board meetings?**
- (iii) **With all three non-executive long-tenured directors seeking their continued appointment as independent directors, will the board's progressive renewal be delayed?**

On 30 November 2021, Mr Tan Boon Gin, chief executive of Singapore Exchange Regulation, gave guidance that companies are expected to use the two-tier rule sparingly to promote renewal and succession planning¹.

- (iv) **What deliberations did the NC have following the new guidance from SGX Regco on board renewal and succession planning?**
- (v) **Would Prof Cham Tao Soon be holding himself to higher governance standards and lead by example, especially in setting the tone with regard to the tenure of independent directors?**

¹On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

¹ <https://www.businesstimes.com.sg/companies-markets/answer-my-question-before-i-vote-sgx-regco-sets-new-timelines-for-companies-to>

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation

(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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