

【Supplementary Principle 4-11-3: Analysis and Evaluation of Effectiveness of the Board of Directors as a whole and an Outline of the Results】

Re: Board Effectiveness Review

1. Our philosophy on the Board effectiveness evaluation

The NSG Group ("Group") has been firm in its view on the importance of enhancing the effectiveness of overall corporate governance to increase the enterprise value of the Group in a sustainable way on a medium-to-long term basis, thereby increasing the common value of the Group for various stakeholders, including its shareholders, all as further set forth in NSG Group Corporate Governance Guidelines.

An example of one particular exercise is the Group's continuous efforts to enhance the level of function and effectiveness of its Board of Directors ("Board") as well as the Nomination, Audit and Compensation Committees ("Committee" individually; "Committees" collectively). The Group has made it an internal practice to implement an independent effectiveness review of the Board and Committees on an annual basis commencing with the financial year ended March 2016. In this process the Board confirms the progress of the ongoing action plan as it relates to the issues previously identified, creates an additional action plan addressing the newly found issues and then combines and integrates the issues into one integrated action plan for regular monitoring to continuously aim for enhancement of the effectiveness of the Board as a whole.

The Group recently carried out the 4th round of such review for the fiscal year ended March 2019 and its results are as follows.

2. Our effectiveness evaluation process

The Board confirmed the progress of the action plans effective from prior years for improvement made during FY ended March 2019. Then in relation to the above financial year, the effectiveness review of the Board and Committees was conducted with feedback and views taken from each Director in terms of composition, status of meeting management, agenda setting, direction in the role of such organization and material agendas requiring further in-depth deliberation by the Board on a going-forward basis. The entire process was led and supervised by the Independent External Directors under the leadership of the Chairman of the Board to ensure sufficient adequacy and independence.

3. Evaluation summary

The effectiveness review endorsed that the Board and the Committees were all properly and soundly operated to ensure their effectiveness.

In addition, the following points were confirmed individually.

- The key and ongoing issues of the Group
 - The Company should conduct a more in-depth analysis in the deliberation of the key and ongoing issues of the Group such as growth strategy, human resources strategy and financial strategy from the prior year (FY ended March 2019). This is particularly important since FY ended March 2020 is the last year of the MTP Phase 2 on which the Company will incorporate its analysis of the results into the next medium-term management plan.
 - Similarly, the Company has made a steady progress from prior year on establishing

a robust risk management system, although unremitting endeavors on the part of the Company should be still sought.

- The important subjects deliberated by the Board
The Company should continue using its unremitting efforts to apply more thorough management of Plan-Do-Check-Act (PDCA) cycle of and consistent and steady follow-up on the important subjects identified by the Board including on the part of the executive team, to seek further enhancement on the executive performance and foster the corporate culture facilitating and enabling the implementation and successful delivery of its growth strategy.
- The Composition of directors
 - The Group should develop a plan for director candidates to seek and deliver desirable diversification including adding further international experience or election of a female directorship currently vacant, not to mention skills, expertise and experiences as currently referred to by the NSG Group Corporate Governance Guidelines; and
 - The Group should have more robust succession plans for CEO and other senior managing officers including adequate diversification for those roles as well.

4. Action Plan (what to do next)

With the aid and on the basis of the FY19 evaluation results and views, a session consisting exclusively of Independent External Directors was convened for a detailed exchange of the views for further consideration of the Board. This process has resulted in the creation and introduction of specific action plans as follows, whose collective aim is to ensure further in-depth opportunities for discussion and confirmation by the Board and/or the Committees including in relation to the strategic direction of the Group.

- Extensive and focused discussion on significant management agendas (e.g. growth strategy, financial strategy, HR strategy and ESG strategy) in the course of development and preparation for the next medium-to-long term management plan.
- Consequently, presentation of the roadmap to attain sustainability across the Group as well as enhancement of the corporate value in the medium- to long- term in the next medium-to-long term management plan.
- Deeper understanding of the Executive team by the Board in light of its resources, composition, expertise and capability and reinforcement of the oversight and leadership by the Board to further enhance their performance (increased opportunities of exposure of the Executive Officers and next generation candidates for senior management lined up in the pipeline to the Board and the number and enhanced level of their communications with Directors).
- Initiatives to ensure diversity and their support (pursuit of further international experiences and gender diversity, especially election of a female director).
- Creation of more robust plan on succession for CEO and other senior managing officers including by reference to diversification aspects.
- Persistent and secured follow-up by the Executive teams to implement/deliver key resolutions and challenges.

Further, the Nomination, Audit and Compensation Committees will respectively seek to improve its activities in relation to the matters which are to belong to their purview.

In order to promote and ensure the management structure adequate for sustainable growth and enhancement of enterprise value of the Group on a medium-to-long term basis in the light of appropriate corporate governance structure, these action plans will be subject to regular review in terms of content, status of implementation and effect. The plans are therefore anticipated to

constitute a material part of the Board effectiveness review process for the following year.