



MDR Limited

(Incorporated in the Republic of Singapore)
(Company Registration No. 200009059G)

RESPONSE TO SGX-ST'S QUERIES ON ANNUAL REPORT 2019

The Board of Directors of mDR Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s Annual Report (“**FY2019 Annual Report**”) for the financial year ended 31 December 2019 (“**FY2019**”).

The following information is in response to the queries received from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 4 May 2020 in relation to Company’s FY2019 Annual Report.

SGX Query

1. 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 & 2.3 of the Code as independent directors do not make up a majority of the Board, and non-executive directors do not make up a majority of your Board, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 2 of the Code. Please clarify 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:

Principle 2 of the Code states that, “The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.”

The Company has currently six Board members of which three Board members (i.e. half of the Board) are Independent Directors and Non-Executive Directors. The Board believes that there is a strong and 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 and based on collective decision making of all the Directors and that no individual or small group of individuals dominate the Board’s decision-making process. The Board also has a Lead Independent Director to provide leadership in situations where Chairman may be conflicted. Board and Board Committees have a mix of Directors who as a group provide an appropriate balance and diversity. As explained on

page 37 of the FY2019 Annual Report, the Board takes into account the need for progressive refreshing of the Board. The Board has also considered the current size, scope, nature of the 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. 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.

The Company is also working towards achieving a majority of Directors as Independent Directors and Non-Executive Directors, and aims to fulfil the requirements under Provision 2.2 and Provision 2.3 of the Code in FY2020.

SGX Query

2. 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 with regards to the disclosure of remuneration, and there were no explanations provided for in your FY2019 annual report on how it is consistent with the intent of Principle 8 of the Code. 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:

Provision 8.1 of the Code requires 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.

The Company has disclosed the following in its FY2019 Annual Report on pages 44 and 45:

- a. names and remuneration breakdown of individual Executive Directors (including the CEO) in bands of S\$250,000;
- b. names and remuneration breakdown of individual Independent Non-Executive Directors in bands of S\$100,000;
- c. names and remuneration breakdown of the top five key management personnel (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 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 page 43 of the FY2019 Annual Report.

As mentioned on page 43, individual Executive Directors' and key management personnel's remuneration, comprises fixed components and variable components. The fixed component comprises salary plus other benefits. The variable component comprises performance bonus and/or share award. The level and structure of remuneration is linked to the strategic objectives of the Company and is proportionate to the sustained performance and value creation of the Group.

The Remuneration Committee assesses the performance of the Executive Directors and key management personnel, based on a holistic balanced approach, comprising both financial and non-financial metrics that promote commitment, performance and loyalty to the Group. The Group's remuneration system takes into consideration, the individual's performance, the performance of the Group, Company's growth in shareholders' equity and total assets, and industry practices. The Company's share award scheme known as mDR Share Plan 2018 is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance to promote the long-term sustainability of the Group.

The Non-Executive Directors are paid Directors' fees that are appropriate to their level of contribution, taking into account factors such as frequency of meetings, efforts and time spent, and their responsibilities. The aggregate fees payable to the Non-Executive Directors are subject to the approval of the shareholders at the annual general meeting of the Company.

As explained on page 44 of the FY2019 Annual Report, the Company believes that the disclosure of the exact quantum of the remuneration of individual Directors (including the CEO), and also of its key management personnel, may be prejudicial to Group's business interests, given the confidentiality of remuneration matters and the competitive nature of the core business of the Group. This is also due to the sensitivity of remuneration matters and in the interest of maintaining good morale and a strong teamwork spirit within the Group. Moreover, information on the compensation paid to all Directors (including Executive Directors) is summarily provided in Note 34 to the Financial Statements of the Financial Report. The Board also responds to questions from the shareholders on Company's remuneration policy and package in the annual general meeting.

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 44 and 45 of the FY2019 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

Madan Mohan
Company Secretary

6 May 2020