
RESPONSE TO SGX-ST QUERIES REGARDING THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the “**Board**”) of KS Energy Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce the following responses to queries raised by the Singapore Exchange Regulation on 7 May 2020 in relation to the Company’s Annual Report for the financial year ended 31 December 2019 (the “**Annual Report**”) as follows:

SGX-ST Query: Principle 2 – Provision 2.2 of the Code of Corporate Governance 2018:

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 2.2 of the Code as Independent directors do not make up a majority of the Board where your Chairman is not independent, and there were no explanations were provided for in your FY2019 annual report on the reason for deviation and how it is consistent with the intent of Principle 2 of the Code.

Please clarify the reason for deviation and 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

The Board comprises six Directors with three Executive Directors (including the Chairman) and three Independent Non-Executive Directors (i.e. half of the Board).

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.*”

Provisions 2.2 of the Code states that: “*Independent directors make up a majority of the Board where the Chairman is not independent.*”

The Board believes that there is a strong and independent element on the Board. As disclosed on page 24 of the Annual Report, Independent Directors represented half of the Board members and contributed to the Board process by monitoring and reviewing management’s performance against the established goals and objectives. The Independent Directors, led by the Lead Independent Director, meets without the presence of Management, and where necessary, the Lead Independent Director will provide feedback to the Chairman. Their views and opinions provide alternate perspectives to the Group’s business. When challenging management’s proposals or decisions constructively, the Independent Directors bring independent and objective judgement to bear on business activities and transactions involving conflicts of interest and other complexities. The Company does not have any alternate directors.

The size and composition of the Board is reviewed on an ongoing basis to facilitate effective decision making and to ensure alignment of the needs of the Group. As a team, the core competencies of the Board include areas of oil and gas industry knowledge, accounting, finance, business and management experience. The Board, considering the scope and nature of the Group's operations, is of the view that the current size of the Board is considered to be appropriate to provide the balance and diversity of skills, experience and knowledge for effective decision making.

In view of the above, the Board believes that the existing practices adopted by the Company are consistent with the intent of Principle 2 of the Code. Nevertheless, the Board will seek to identify suitable candidates to further develop the Board and comply with the requirement of Provision 2.2 of the Code for Independent Directors to make up a majority of the Board. However, the current nature of the industry is presenting some challenges to attract another Independent Director to the Board.

SGX-ST Query: Principle 2 – Provision 2.3 of the Code of Corporate Governance 2018:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in 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 2.3 of the Code as non-executive directors do not make up a majority of your Board, and there were no explanations were provided for in your FY2019 annual report for the deviation and on how it is consistent with the intent of Principle 2 of the Code.

Please clarify the reason for the deviation and 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

The Board comprises six Directors with three Executive Directors (including the Chairman) and three Independent Non-Executive Directors (i.e. half of the Board).

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."*

Provisions 2.3 of the Code states that: *"Non-executive directors make up a majority of the Board."*

The Board refers to the response to the previous query. In view of the above, the Board believes that the existing practices adopted by the Company are consistent with the intent of Principle 2 of the Code. Nevertheless, the Board will seek to identify suitable candidates to further develop the Board and comply with the requirement of Provision 2.3 of the Code for Non-Executive Directors to make up a majority of the Board. However, the current nature of the industry is presenting some challenges to attract another Independent Director to the Board.

SGX-ST Query: Principle 3 – Provision 3.1 of the Code of Corporate Governance 2018:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in 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 3.1 of the Code as the Company's Chairman and CEO position is filled by the same person, and there were no explanations were provided for in your FY2019 annual report for the deviation and how the current practice is consistent with the intent of Principle 3 of the Code.

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

Company's Response

The Chairman and CEO of the Company is Mr Kris Wiluan.

Principle 3 of the Code states that: *"There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making."*

Provisions 3.1 of the Code states that: *"The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making."*

As disclosed on page 25 of the Annual Report, given there is a strong independent element on the Board that enables the exercise of independent and objective judgment on the corporate affairs of the Group, the Board is of the view that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is based on collective decisions of the Directors without any excessive or unrestricted concentration of power or influence residing in any individual. Furthermore, half of the Board consists of Independent Directors (including a Lead Independent) and all the Board Committees are chaired by Independent Directors.

The Board, with the concurrence of the ARMC and NC, believes that vesting the roles of both Chairman and CEO in the same person, who has vast knowledge in the Group's business provides strong and consistent leadership effective planning and execution of long-term business strategies. As such, there is no need for the role of the Chairman and the CEO to be separated.

In view of the above, the Board believes that the existing practices adopted by the Company are consistent with the intent of Principle 3 of the Code. Nevertheless, the Board aims to comply with the requirement of Provision 3.1 of the Code for the Chairman and the CEO to be separate persons in financial year ending 31 December 2020.

SGX-ST Query: Principle 8 – Provision 8.1 of the Code of Corporate Governance 2018:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in 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 8.1 of the Code with regards to the disclosure of remuneration.

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

The breakdown of Directors' remuneration for FY2019 is shown on page 39 of the Annual Report and the remuneration of the Group's top five key management personnel, who are not directors of the Company for FY2019 is shown on page 40 of the Annual Report.

The Company has disclosed the following in the mentioned disclosures:

- names and remuneration breakdown of individual Executive Directors (including the CEO) in bands of S\$250,000;
- names and remuneration breakdown of individual Independent Non-Executive Directors in bands of S\$250,000; and
- the number of executives and the 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

Principle 8 of the Code states that: *"The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation."*

Provisions 8.1 of the Code states 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 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 pages 37 to 39 of the Annual Report.

As disclosed on page 40 of the 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 competitiveness, hiring pressure and disadvantages that this might bring.

Additional information on the compensation paid to all Directors (including Executive Directors) of the Company and other key management personnel is provided in Note 25 to the Financial Statements of the Annual Report.

Considering the reasons for the deviation on disclosure from Provision 8.1 of the Code, 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
KS Energy Limited

Marilyn Tan Lay Hong
Joint Company Secretary
8 May 2020

For more information on KS Energy Limited, please visit our website at www.ksenergy.com.sg