Nera Telecommunications Ltd

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## RESPONSES TO QUESTIONS FROM SHAREHOLDERS

The Board of Directors (the "**Board**") of Nera Telecommunications Ltd (the "**Company**") refers to:

(a) the annual report of the Company for the financial year ended 31 December 2020 (the "**Annual Report**");

(b) the notice of annual general meeting ("**AGM**") issued on 5 April 2021 informing shareholders that the Company's AGM will be convened and held by way of electronic means on Tuesday, 27 April 2021 at 1:00 pm; and

(c) the accompanying announcement issued by the Company on 1 April 2021 setting out, *inter alia*, the alternative arrangements relating to attendance at the AGM via electronic means.

The Company would like to thank shareholders for submitting their questions in advance of our AGM. Please refer to **Annex A** hereto for the list of questions received from shareholders, and the Management and the Board's responses to these questions.

By order of the Board

Chan Wan Mei and Gan Lee Teng
Joint Company Secretaries
26 April 2021

## ANNEX A

## RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS FROM SHAREHOLDERS

**Q1. Please explain the increase in borrowing when revenue is dropping.**

The higher borrowings were taken out to increase the Company's cash buffer given the uncertain operating environment caused by the global pandemic. The Company considers this increased cash buffer a prudent measure and the borrowings were drawn down from and under the terms of existing facilities extended to the Company.

As at 31 December 2020, the Group has a low gearing ratio of 8%.

**Q2. Please explain the increase in key management personnel remuneration when revenue is dropping.**

FY2020 was an exceptional year with business interruptions caused by the COVID-19 pandemic. Despite these adverse circumstances, the Company recorded a profit for the year and navigated unexpected scenarios in the various countries that the Group operates in. Importantly, the Company also implemented key measures to maintain the health and safety of all employees.

Notwithstanding the challenging environment, NeraTel has delivered a respectable performance in FY2020. Under the direction of the CEO and key management personnel, the Group persevered with the delivery of the Company's projects in spite of the suspension of business activities in various countries. Additionally, the Company's strong emphasis on Group-wide efficiency initiatives helped streamline the Company's cost structure and provided a cushion for profitability and cashflow.

The fall in revenue was caused by operational disruptions and lower order intake. Delivery of projects to customers during FY2020 was hampered by temporary movement restrictions implemented in various countries to contain the spread of COVID-19. The uncertain economic situation also resulted in many companies deferring or cancelling non-critical expenditure. This was coupled with a more conservative approach by the Company towards tendering for or accepting large projects in order to preserve cashflow and manage project risks. Government grants, principally from Singapore's Job Support Scheme, also helped the Company offset the slowdown in revenues. There were no layoffs resulting from the pandemic.

The Remuneration Committee ("RC") is guided by its written Terms of Reference, which set out its authority and duties. For the purpose of assessing the performance of the key management personnel, key performance indicators ("KPIs") – both financial and non-financial related - are set out for each year. The RC carefully evaluated the performance of the key management personnel based on the set of KPIs and believes that the increase in key management personnel remuneration is justified. The compensation for the key management personnel was also endorsed by the Board.

**Q3. On Annual Report page 45, noted that total $912K was paid to CEO as remunerations which included $394K as bonus for the year. The Group was only making profit before tax of $5.2m, or even lower at $3.4m if stripped out the government grant of $1.8m. How does the board justify the high remunerations paid to the CEO, which represent 26% of PBT (excluded government grant) and despite the fact that the group revenue was also decreasing over the last 3 years?**

The CEO's financial and non-financial KPIs are set at the beginning of each year. Similar to the Group's remuneration structure, the CEO's remuneration comprises both fixed and variable components, with the variable component linked to the Group's financial performance, including revenue and PBT, as well as to the individual employee's performance.

For FY2020, the Remuneration Committee assessed that the CEO met his financial KPI based on the Group's PBT and partially met the non-financial KPIs. Further consideration was also given to the extenuating circumstances caused by the onset of the COVID-19 pandemic.

As highlighted in the response to Question 2, the CEO has steered the Company through a very challenging environment and delivered a profitable year in spite of the slowdown in business activities, implemented appropriate cost containment measures to preserve cash flow, and demonstrated strong leadership in prioritising the health and safety of NeraTel's employees.

These factors explain the higher bonus awarded for FY2020 compared to FY2019.