

REX INTERNATIONAL HOLDING LIMITED

(Company Number: 201301242M)

(Incorporated in the Republic of Singapore)

**NON-EXECUTIVE DIRECTORS' REMUNERATION
- RESPONSE TO SGX QUERIES**

Rex International Holding Limited (the “**Company**” or “**Rex**” and together with its subsidiaries, the “**Group**”) has received the following queries from the Singapore Exchange Securities Trading Limited (the “**SGX Queries**”) on 19 April 2023, 23 April 2023 and 24 April 2023, in relation to Resolution 5 in the Company’s Notice to Annual General Meeting dated 30 March 2023. The board of directors (the “**Board**”) of the Company has provided the following responses to the SGX Queries.

1. Resolution 5 states “To approve the payment of additional remuneration of S\$675,000/- to non-executive directors for the financial year ended 31 December 2022.”. The explanatory note for this resolution states “The additional remuneration of S\$675,000/- is a performance bonus for the financial year ended 31 December 2022 and is made pursuant to the achievement of the performance targets, set and approved by the Remuneration Committee and the Board. Resolution 5 if passed, each Non-Executive Director, Mr Sin Boon Ann, Dr Christopher Atkinson, Ms Mae Heng, Mr John d’Abo and Dr Mathias Lidgren, will be paid an equal amount of S\$135,000 in 2023.”
 - (a) Taking into consideration that members of the Remuneration Committee, including the Independent Directors, are (i) recipients of this performance bonus of S\$675,000 and (ii) also responsible for setting and approving the performance targets which determine their remuneration, please disclose the Board’s assessment whether there exists a conflict of interest, including its basis of assessment. If yes, please explain whether and how this conflict of interest has been addressed by the Board. If not, please explain why.

The Board had assessed that no conflict of interest existed at the time of setting the performance targets. The Board (including the directors not on the Remuneration Committee) deliberated that the implementation of performance targets was aligned with shareholder interest. These performance targets were carefully considered to help enhance shareholder value by ensuring the collective achievement of the Company’s financial performance and improvement in share price. In this regard, the Company does not see how the independence of the independent directors may be jeopardised since everyone is moving towards the same corporate objective. Furthermore, the proposed payment (if the performance targets were met) would be subject to shareholder approval and only payable if approved, hence removing any ambiguity on conflict of interest.

The Company believes the following act as safeguards:

- (i) Shareholder approval is essential for any pay-out to directors. It is in the shareholders’ hands to determine if the remuneration is commensurate with the Company’s

performance. The Company views the total sum of fixed and variable compensation to be reasonable and not excessive; and

- (ii) Performance targets were set well in advance for the benefit of the Company. The independent directors are aligned with the other directors in ensuring that the agreed upon targets are achieved over time to ensure a positive impact on the Company including but not limited to improving shareholders' value of the Company.
- (b) Please disclose further information on these performance targets and when they were set by the Remuneration Committee.

While the non-executive directors are not involved in the day-to-day management of the Group, they bring with them their wealth of knowledge, business expertise and contacts in the business community. They play a crucial role in helping the Group shape the business strategy and further the business interest of the Group by allowing the Group to draw on their different backgrounds and diverse working experiences. The non-executive directors, in their role as Board members, participate to:

- (i) Provide entrepreneurial leadership guidance, set corporate strategic objectives and directions for Management, which should include appropriate focus on value creation, innovation and sustainability;
- (ii) Set the appropriate tone-from-the-top and desired organisational culture, and to ensure proper accountability within the Company;
- (iii) Ensure that the necessary resources are in place for the Company to meet its strategic objectives;
- (iv) Establish and maintain a sound risk management framework to effectively monitor and manage risks, and to achieve an appropriate balance between risks and company performance;
- (v) Constructively challenge Management and review its performance;
- (vi) Instil an ethical corporate culture and ensure that the Company's values, standards, policies and practices are consistent with the culture; and
- (vii) Oversee the overall corporate governance of the Group and ensure transparency and accountability to key stakeholder groups.

It is to be noted that matters that require the Board's approval include, amongst others, the following:

- (i) Overall Group business and budget strategy;
- (ii) Annual and half-yearly financial reports and announcements on quarterly use of funds/cash by mineral, oil and gas companies;
- (iii) Capital expenditures exceeding certain material limits;
- (iv) Investments or divestments;
- (v) All capital-related matters including capital issuance;
- (vi) Significant policies governing the operations of the Company;
- (vii) Corporate strategic development and restructuring;
- (viii) Interested person transactions exceeding a S\$100,000 threshold; and
- (ix) Risk management strategies

Over and above the quarterly board and board committee meetings, the non-executive directors are very involved in the decision-making process for the matters listed above. The complexity of the Group's businesses and the span of the Group's operations across various

jurisdictions and time zones, require more effort and involvement from the non-executive directors.

Furthermore, the oil and gas industry is highly litigious, as evidenced by the legal cases that the Company had been involved in over the years, for which some directors have been sued.

Taking into the consideration the abovementioned, besides various metrics on the Company's financial performance, the Company's share price and ability to pay out dividends, the performance targets for the non-executive directors also pertain to *inter alia*, the non-executive directors' qualitative contributions to strategic and other values of the Group as mentioned above.

The performance targets were originally proposed in November 2020, at a time when the Company had no profit and the share price was very low. Additional performance targets were added over the following years. The latest modification was approved by the Board on 8 April 2022. On 19 October 2022, Ms Mae Heng, Mr John d'Abo and Dr Mathias Lidgren, being new members of the board of directors, were added to the plan. The new directors of the Company abstained from voting and participating in the deliberations of and the voting on the resolution in respect of his/her performance bonus and did not sign the Board resolution.

The additional performance targets included since November 2020 to FY2021 is mainly based on the achievement of S\$0.30 for the Average Performance Market Price i.e. the average of the Company's closing market prices of its shares over a consecutive period of five market days. The targets for performance bonuses for FY2022 were further enhanced to include qualitative and quantitative targets, details of which are as set out in this response and to query 1(c) below.

Whilst the non-executive directors are not involved in the day-to-day running of the Company as the executive directors, the non-executive directors were actively involved in the decision-making process on top of their qualitative contributions (as discussed above). There is no difference in performance targets to ensure alignment of the directors' interests with that of shareholders and taking into consideration that the executive directors are separately compensated for their executive duties.

(c) Please explain how these performance targets are measured and determined to be met.

- (i) The specific quantitative target which was met was the payment of a dividend by the Company.
- (ii) Qualitative targets (in addition to the factors mentioned in response to query 1(b), also include targets such as Environmental, Social and Governance (ESG) and Health, Safety and Environment (HSE) compliance, move to Mainboard, expansion of business scope) were set and met based on the Company's strategic business plan for the year, which was proposed by Management and approved by the Board.
- (iii) Taking into account the fulfilment of the pre-determined quantitative and qualitative targets, a certain level of the total performance pool set aside for the non-executive directors was tabled for approval at the upcoming AGM.

(d) Please explain how the performance bonus amount of \$675,000 is being arrived at and the rationale for paying the non-executive directors a performance bonus.

- Resolution 5, which is subject to shareholders' approval, proposes that each of the five non-executive directors be paid \$135,000, totalling \$675,000.
- As part of the Group's remuneration structure, the Company has specific performance bonus amounts which were pre-determined and set aside for employees, executive directors and non-executive directors. The performance bonus amount to be paid is arrived at following the fulfilment of certain quantitative targets and qualitative targets, and the proposed amount set out in Resolution 5 is a certain level of a total sum budgeted for 100% fulfilment of these targets.
- The Company has structured the directors' remuneration in this manner to allow the Company flexibility to pay its directors after taking into account factors such as economic conditions and the Company's performance, whereas fixed directors' fees would not provide the Company with such flexibility. This gives the Company flexibility for better capital allocation, alignment with shareholder interest, retention and attraction of talent.

(e) Please explain whether the provision of performance bonus to non-executive directors, who are also independent directors, will compromise their independent status, including the bases of board's assessment.

The non-executive directors also sit on the audit committee, remuneration committee and nominating committee of the Company. As non-executive directors and board committee members, these non-executive directors serve an important function in ensuring good corporate governance of the Group. Currently, the non-executive directors are remunerated for their services by way of fixed, pro-rated directors' fees.

As mentioned, the performance-based aspect of fees to non-executive directors allows the Company to flexibly augment fees paid to directors, taking into account factors such as the economic conditions and the Company's performance.

Further, the performance bonus to non-executive directors will allow the Company to attract and retain experienced and qualified persons from different professional backgrounds to join the Company and incentivise the non-executive directors to take extra efforts to promote the interests of the Company and/or the Group.

Based on the foregoing, the Board is of the view that such performance-based bonuses do not compromise the independence of the non-executive directors. On the other hand, since the performance targets were set well in advance for the benefit of the Company, the independent directors are aligned with the other directors in ensuring that the agreed upon targets are achieved over time to ensure a positive impact on the Company including but not limited to improving the shareholders' value of the Company. In any event, performance bonuses paid to non-executive independent directors under certain conditions for example, as described below, specifically, where shareholder approval is required, should not be seen as prejudicial to their independence.

2. Given the significant decrease in the net profit of the Group for the financial year ended 31 December 2022 (“FY2022”) compared to the financial year ended 31 December 2021, please disclose factors considered by the Remuneration Committee when deciding that additional remuneration to non-executive directors and additional Directors’ fees should be paid out for FY2022.

The Group has had an eventful FY2022 with major developments such as:

- (i) Move from Catalist to Mainboard
- (ii) Change-out of production equipment and drilling campaign in Oman
- (iii) Acquisition of 10% interest in Yme Field in Norway
- (iv) Successful Issue of Bond in Norway
- (v) Capital reduction exercise
- (vi) Two business diversification investments

On financial performance:

- (i) Declaration of dividend;
- (ii) Strong cash generation by the Group with an adjusted EBITDA of US\$61.7 million; and
- (iii) Increase in cash and quoted investments to US\$138.8 million in the year ended 31 December 2022 (up from US\$86.9 million the year ended 31 December 2021).

The above considerations were taken into account when considering the additional remuneration to be recommended for FY2022.

Over and above achieving good adjusted EBITDA of US\$61.7 million, an increase in cash and quoted investments to US\$138.8 million in the year ended 31 December 2022 (up from US\$86.9 million the year ended 31 December 2021) and declaring a dividend, and meeting additional qualitative targets (such as Environmental, Social and Governance (ESG) and Health, Safety and Environment (HSE) compliance, the Company’s move to Mainboard, expansion of business scope), the year 2022 was also an unusually active year with high levels of activity in all subsidiaries, including reviewing of external financing exposure at the Group level i.e., an unusually heavy work load not normally recurring.

To conclude, the Company is of the opinion that it is beneficial for the Company's results to align the interests of shareholders and everyone working in the Company; be they staff, management or board members comprising executive, non-executive and independent directors. All will benefit if our work produces a good result for the abovementioned stakeholders.

BY ORDER OF THE BOARD OF
Rex International Holding Limited

Dan Broström
Executive Director and Chairman

25 April 2023