
RESPONSE TO QUERIES RAISED BY SGX REGCO ON ANNUAL REPORT 2022

The Board of Directors ("**Board**") of Pharmesis International Ltd. (the "**Company**" together with its subsidiaries, collectively the "**Group**") refers to the following queries raised by SGX RegCo on the Company's Annual Report for the financial year ended 31 December 2022 ("**FY2022**") (the "**Annual Report**") and wishes to provide further information and clarification as follows:

Query 1

In accordance with Listing Rule 710A(2), the Company is required to disclose the following in relation to its board diversity policy in its Annual Report:

- a. the Company's targets to achieve diversity on its board;
- b. the Company's accompany plans and timelines for achieving the targets;
- c. the Company's progress towards achieving its targets within the timelines;

We note that the Company has not disclosed the above in its Annual Report. Please disclose accordingly.

Company's Response to Query 1:

The Board is satisfied that its current composition presents a diversity of gender, skills and knowledge with experiences in different industry. As disclosed on page 22 of the Annual Report, the Company has in place a Board diversity policy which sets out its approach to achieving diversity on the Board. The Company recognises that increasing the diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. In the process of searching for qualified persons to serve on the Board, the selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the merit and contribution that the selected candidates will bring to the Board while also considering diversity.

As disclosed on page 22 of the Annual Report, the core diversity characteristics include gender, skills and knowledge, and Board refreshment, particularly in the average tenure of services of Independent Directors as follows:

(a) Gender diversity

In recognition of the importance and value of gender diversity in the composition of the Board, the Board has one female director currently, Ms. Chung Chia-Jung, who has been a member of the Board since 15 December 2017. Further, the Nominating Committee ("**NC**") will intentionally include female candidates in the search for board candidates and is committed to advancing female candidates, who meet the required skills and experiences, for appointment as a Director.

(b) Skills and knowledge diversity

The Board comprises of two Executive Directors who have many years of experience in the pharmaceutical industry and three Non-Executive Directors who have many years of experience in business management and finance. The current Board composition enables the management to benefit from a diverse and objective perspective on any issues raised before the Board. Further details of the Board's mix of expertise, background and experience are set out in the profile of each of the Board members are set out on pages 12 to 14 of the Annual Report.

As disclosed on page 22 of the Annual Report, the Directors bring with them a wealth of expertise and experience in areas such as accounting, finance, business or management experience and industry knowledge. The Board conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of the Board. This enables the Board to maintain or enhance balance and diversity within the Board.

The NC and the Board however recognise that skill-set and core competencies required of the Board may change over time as the business of the Group develops, hence any progress made towards our Board diversity policy will be disclosed in the future Corporate Governance Report, as appropriate.

(c) Tenure of services diversity

As disclosed on page 22 of the Annual Report, diversity in the average tenure of services for Independent Directors is the focus recently following changes in the Listing Manual effective 11 January 2023 while the Board had sought to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Such refreshment process of the Board with the appointment of independent directors would take time until 30 April 2024. As disclosed on page 21 of the Annual Report, Mr. Chew Heng Ching has served the Board for an aggregate period of more than 9 years, and he may continue to be considered independent until the conclusion of the next annual general meeting. Accordingly, the NC and the Board is looking into the refreshment of the Board, particularly the appointment of the independent director.

As disclosed on page 22 of the Annual Report, the NC reviews its targets for diversity from time to time and may recommend changes or additional targets to achieve greater diversity. In view of the foregoing, the Company believes that the intent of the Listing Rule 710A(2) has been complied with.

Additionally, the Board acknowledges that improvements to Board diversity are an ongoing process. The Board is fully committed to continue to ensure 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 NC will continue to monitor that the diversity objectives continue to be met and work with the Board to improve the same, which may include, where the Board considers appropriate, adopting other diversity targets and corresponding timelines for meaningful progress in diversity.

Query 2

Listing Rule 1207(10C) states that the Company's annual report must state the audit committee's ("AC") comment on whether the internal audit function is independent, effective and adequately resourced. The Company has stated that the AC is "satisfied that the Company's internal audit function is adequately resourced" but did not state the AC's comment on whether the internal audit function is independent and effective. Please disclose accordingly.

Company's Response to Query 2:

During the FY2022, the AC has reviewed the adequacy, independence and effectiveness of the internal audit function. The AC is satisfied that the Company's internal audit function is independent, effective and the internal auditors are adequately resourced, and has appropriate standing within the Company to discharge its duties effectively.

Query 3

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 of the Executive Directors and Non-Executive Directors, and there were no explanations provided for its FY2022 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 to Query 3:

As disclosed on page 31 of the Annual Report, the Company has decided to disclose the remuneration of each Non-Executive Director and Executive Director in bands of S\$250,000 and by a percentage breakdown in terms of categories and components, instead of disclosing the exact remuneration, which is a deviation from Provision 8.1(a) of the Code. In arriving at its decision, the Company took into consideration the sensitive and confidential nature of such information and prevention of upward pressure on remuneration due to the market competition of remuneration matters.

The Company is of the view that the disclosure of the indicative range of the Directors' remuneration provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the Directors. The fees to the Non-Executive Directors are put forward to shareholders for approval on an annual basis at the Company's annual general meeting.

As disclosed on page 31 of the Annual Report, the Company has provided the breakdown of the remuneration of key management personnel for FY2022 in bands no wider than S\$250,000. The Company has only one key management personnel (who is not a Director or Chief Executive Officer of the Company). After careful deliberation and having regard to the fact that disclosure of remuneration in detail would not be in the best interest of the Company given the sensitive nature of the information, the Company has decided not to disclose the aggregate remuneration paid to the key management personnel due to highly competitive human resources environment.

In view of the foregoing, the Company believes that the Company is in compliance with the Provision 8.1(a) and Provision 8.1(b) of the Code.

As disclosed on the page 30 of the Annual Report, the Board notes that the following have been disclosed:

- (a) the procedure for establishing the framework of remuneration policies for its Directors and key management personnel; and
- (b) the remuneration policy for Executive Directors, Non-Executive Directors and the key management personnel.

With the disclosure of the above information, the Board is of the view that there is sufficient transparency on its remuneration policies, level and mix of remuneration, 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

Wu Xuedan
Executive Director and Chief Executive Officer
27 April 2023