



## **NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED**

(Company Registration Number 199902564C)

(Incorporated in Singapore on 13 May 1999)

### **RESPONSE TO SGX QUERIES ON ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Nanofilm Technologies International Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) has received queries from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 22 April 2021 in relation to its Annual Report for the financial year ended 31 December 2020 (“**FY2020 Annual Report**”). The Company’s response to the queries are set out below.

#### **SGX-ST Query (a)**

**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. Practice Guidance 2 requires an issuer to state the Company’s board diversity policy and progress made towards implementing the board diversity policy, including objectives. We note that the Company has not adopted a formal board diversity policy. Please state if the Company’s practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.**

#### **Company’s Response:**

As stated on page 38 of the FY2020 Annual Report, the current Board comprises individuals who possess diverse expertise and experience in the areas of accounting and finance, tax, business and management, legal and regulatory, industry knowledge, strategic planning and customer-based knowledge. Each Director has been appointed based on the strength of his/her calibre, experience, industry knowledge, grasp of corporate strategy and potential to contribute to the Company and its business. The combined diverse skills sets and expertise of the Board provide core competencies necessary to lead and govern the Group effectively.

On gender diversity, the Board comprises two female Directors, which constitutes one third representation of the Board.

Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Issue Managers for the initial public offering of shares in, and listing of, the Company on the Mainboard of the SGX-ST on 30 October 2020 (“Offering”). Citigroup Global Markets Singapore Pte. Ltd., Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Global Coordinators for the Offering. Citigroup Global Markets Singapore Pte. Ltd., CLSA Singapore Pte Ltd, Credit Suisse (Singapore) Limited and Oversea-Chinese Banking Corporation Limited are the Joint Bookrunners and Underwriters for the Offering

In terms of the appropriate level of independence, as stated on pages 37 and 38 of the FY2020 Annual Report, the Board comprises four Independent Directors (IDs) and two Executive Directors. The four IDs are independent in conduct, character and judgement and they do not have any relationship with the Company, its related corporations, substantial shareholders or officers that could interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement in the best interests of the Company.

The IDs, comprising two thirds of the Board, are able to exercise objective judgment on matters of the Group independently from Management and no individual or group of individuals dominate the Board's decision-making process. There is a strong independent element on the Board and Board Committees. All Board Committees are chaired by IDs. None of the IDs has served on the Board beyond nine (9) years and their independence status is therefore not affected pursuant to Rule 210(5)(d)(iii) of the listing manual of the SGX-ST.

The current Board size and the well-balanced mix of expertise and experience of the Board facilitates effective decision-making for existing needs and demands of the Group's businesses. As stated on page 38 of the FY2020 Annual Report, the Board, assisted by the Nominating Committee ("NC"), will review the Board size and composition regularly to ensure its appropriateness in facilitating robust engagement and effective decision-making.

While the Group does not have a formal board diversity policy, the Board is of the opinion that it is sufficiently diverse for the needs of the Group taking into consideration the scope and nature of the operations of the Group. Accordingly, the Board is of the view that the practices adopted as described above and in the FY2020 Annual Report are consistent with the intent of Provision 2.4 of the Code.

#### **SGX-ST Query (b)**

**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. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and KMP should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO's exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000. Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.**

#### **Company's Response:**

On page 46 of the FY2020 Annual Report, the Company has disclosed in detail the remuneration framework for its IDs and the exact remuneration for all the IDs for the period ended 31 December 2020. The fees to IDs are payable entirely in cash.

On pages 46 and 47 of the FY2020 Annual Report, the Company has disclosed the aggregate remuneration (in bands of no wider than \$250,000) and the breakdown of the components of remuneration in percentage terms of the Executive Directors and top four key management personnel (KMP). Such breakdown enables investors to understand the link between the remuneration paid to the Executive Directors, the CEO and

KMP and the performance of the Group and individual performance. Disclosure of the remuneration of the Executive Directors, CEO and KMP in bands of S\$250,000 provides a good overview and is informative of the remuneration of Directors, the CEO and KMP.

On pages 44 and 45 of the FY2020 Annual Report, the Company has disclosed the policies and practices adopted by the Company in arriving at the remuneration packages of Directors and KMP, including disclosure on components, assessment process, performance indicators and the correlation between remuneration, performance and value creation have also been described.

As stated on page 47 of the FY2020 Annual Report, given the commercially sensitivity and confidential nature of remuneration matters of the industry, the Board believes that disclosing the remuneration of the Executive Directors (including the CEO) and KMP in exact quantum is not in the best interests of the Group. In view of the highly competitive human resource environment, it is important for the Group to retain talent for the long-term interests of the Group and its shareholders, and ensure stability and continuity of its business operations with a competent and experienced management team in place.

Taking into consideration the disclosures in the FY2020 Annual Report as described above, the Company believes that there is sufficient transparency in its disclosure of remuneration which is consistent with the intent of Principle 8 of the Code.

**BY ORDER OF THE BOARD  
NANOFILM TECHNOLOGIES INTERNATIONAL LIMITED**

Lim Kian Onn  
Chief Financial Officer  
23 April 2021