



KENCANA AGRI LIMITED

(Registration No: 200717793E)

**RESPONSE TO SGX REGCO'S QUERIES IN RELATION TO THE GROUP'S ANNUAL REPORT FOR THE
YEAR ENDED 31 DECEMBER 2023**

The board of directors (the "Board") of Kencana Agri Limited (the "Company", and together with its subsidiaries, the "Group") wishes to provide the following information in response to the queries raised by Singapore Exchange Regulation ("SGX Regco") on 22 April 2024. The queries were in relation to the Group's annual report for the year ended 31 December 2023.

Question 1

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 all of the Company's Independent Directors ("ID") who make up the current Audit and Risk Management Committee ("ARC") of the Company, including the Lead ID, have served on the Board for more than 9 years from the date of their first appointment and will no longer be ID of the Company at the conclusion of FY2023 Annual General Meeting ("AGM") pursuant to Listing Rule 210(5)(d)(iv).

In that regard, please disclose how the Company will comply with the following Provisions of the Code and Listing Rules:

(i) Provision 2.2 and 2.3 that requires Non-Executive ID to make up a majority of the Board where the Chairman is not independent;

(ii) Provision 3.3 that requires the Board to have a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent;

(iii) Provision 10.2 that requires the Audit Committee ("AC") to comprise of at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent;

(iv) Listing Rule 210(5)(c) which requires the issuer's board to have at least two non-executive directors who are independent and free of any material business or financial connection with the issuer, as well as independent directors to comprise at least one-third of the issuer's board; and

(v) Listing Rule 221 which requires a foreign issuer to have at least two independent directors, resident in Singapore

Company's Response:

At the conclusion of the Company's upcoming AGM, all of the Company's IDs will step down. In line with this, the Company intends to refresh 1) the size of its board of directors; and 2) the composition of executive and non-executive directors (including IDs).

The Company plans to have a board size of 6 directors instead of the 7 it currently has, with the composition mix being 3 executives and 3 non-executives (including 2 new IDs). The identities of the new IDs including the new lead ID will be announced in due course.

The Company believes that the smaller board size will better facilitate openness, deeper discussion and enable a nimbler decision-making process. This will enhance management oversight and the board's abilities to respond to challenges. In arriving at the preferred size, the Company has considered, among others, the maturity stages of its business, board diversity, the experience of the board members, and their ability to contribute to the governance of the Company.

On the composition mix, the Company will depart from the Provisions 2.2 and 2.3 of the Code. This notwithstanding, the Company is of the view that the proposed composition mix will meet with the intent of the Principle of the Code. With the executive directors being of equal number to the non-executive directors, no single side will dominate the deliberations of the board. Consequently, the board members will still have to work through any decision making objectively to reach clear consensus.

Save as disclosed, the Company is of the view that it will be able to comply with the Listing Rules and the other Provisions of the Code as mentioned in the questions raised by SGX Regco. Listing Rule 221 is not applicable as the Company is not a foreign issuer.

Question 2

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. While we note that the Company had explained the deviation from Provision 8.1 (b) and 8.3 of the Code, where the breakdown of remuneration of the top 4 key management personnel (“KMP”) of the Company by the forms of remuneration and other payments and benefits were not provided, please disclose the breakdown of the remuneration of each KMP by salary and fixed allowance, bonus and incentives and other benefits in percentage terms, to be consistent with the intent of Principle 8 of the Code that requires the Company to be transparent on its remuneration policies, level and mix of remuneration, and the relationships between remuneration, performance and value creation.

Company’s Response:

Currently, the Company is of the view that naming the KMP and disclosing the breakdown of their remuneration mix will not be in the best interest of the Company. The reasons are as stated in the annual report for the FY 2023. The Company wishes to add that, the KMP work collectively as a team and specific disclosures will increase the likelihood of individual comparison thereby negatively affecting the team culture and morale.

The Company believes that it has complied with the Principle of the Code as sufficient transparency has been made on its remuneration policies, level and mix of remuneration, and the relationships between remuneration, performance, and value creation. In the annual report for FY 2023, the following were disclosed regarding the KMP :

1. The name of the person connected to substantial shareholders/executive directors and the remuneration band of the said person;
2. The aggregate remuneration of all the KMP; and
3. The remuneration band of the other 3 KMP

Further, the Company wishes to add that all KMP received their remuneration substantially in the form of salary and fixed allowance.

Having considered all information disclosed, the Company believes that the stakeholders of the Company have sufficient information to evaluate the compensation package and pay disparity, if any. Therefore, the Company concluded that the current format of disclosure strikes a good balance between the requirements of the Code and the sensitivity and confidentiality of the remuneration matters.

The Company will continually review its policies on the subject matters above and will strive to improve from time to time.

BY ORDER OF THE BOARD OF KENCANA AGRI LIMITED

Ratna Maknawi
Vice Chairman and Executive Director
24 April 2024