

# SUSTAINABILITY REPORT

## BOARD STATEMENT

As a young listed company, Rex International Holding aspires to create a sustainable business model by adopting best practices in the environment, social and governance (ESG) aspects of its business. Sustainability efforts at Rex International Holding are led by the Company's management team, which reports directly to the Board. For this 2017 Sustainability Report, the Board has considered sustainability issues, and together with the management team, has determined the material ESG factors for the Group.

(G4-1)

Rex International Holding aims to progressively add metrics and targets that are material to its business in its future sustainability reports.

## ABOUT THIS SUSTAINABILITY REPORT

This is the second Sustainability Report by Rex International Holding, which is headquartered in Singapore. This Sustainability Report covers the financial year from 1 January to 31 December 2017 and is aligned with the Group's financial year. This report has been prepared in accordance with the Global Report Initiative (GRI) G4 Standards – Core Level guidelines. The GRI Standards were chosen, given its longstanding universal application and robust guidance. The GRI content index and the relevant references are provided at the back of this report.

(G4-3) (G4-5) (G4-28) (G4-15).

Unless otherwise stated, the report covers the environment, social and governance (ESG) performance of Rex International Holding and its subsidiaries in Singapore, Norway and Oman. It is to be noted that the Human Capital performance indicators pertain only to staff under the direct employment of Rex International Holding in Singapore.

(G4-6)

This report supplements information on the Company's strategies and activities in relation to sustainability practices regarding ESG factors, which are covered in other parts of the 2017 Annual Report.

The report can be read or downloaded from [www.rexih.com](http://www.rexih.com)

Rex International Holding welcomes feedback from stakeholders on how it can improve on its sustainability reporting. Stakeholders can send their comments and suggestions to [info@rexih.com](mailto:info@rexih.com)






(G4-31)

The Company will publish the Sustainability Report annually, to account for its performance and strategy on key ESG issues that matter to our stakeholders.

(G4-30)

## STAKEHOLDER ENGAGEMENT

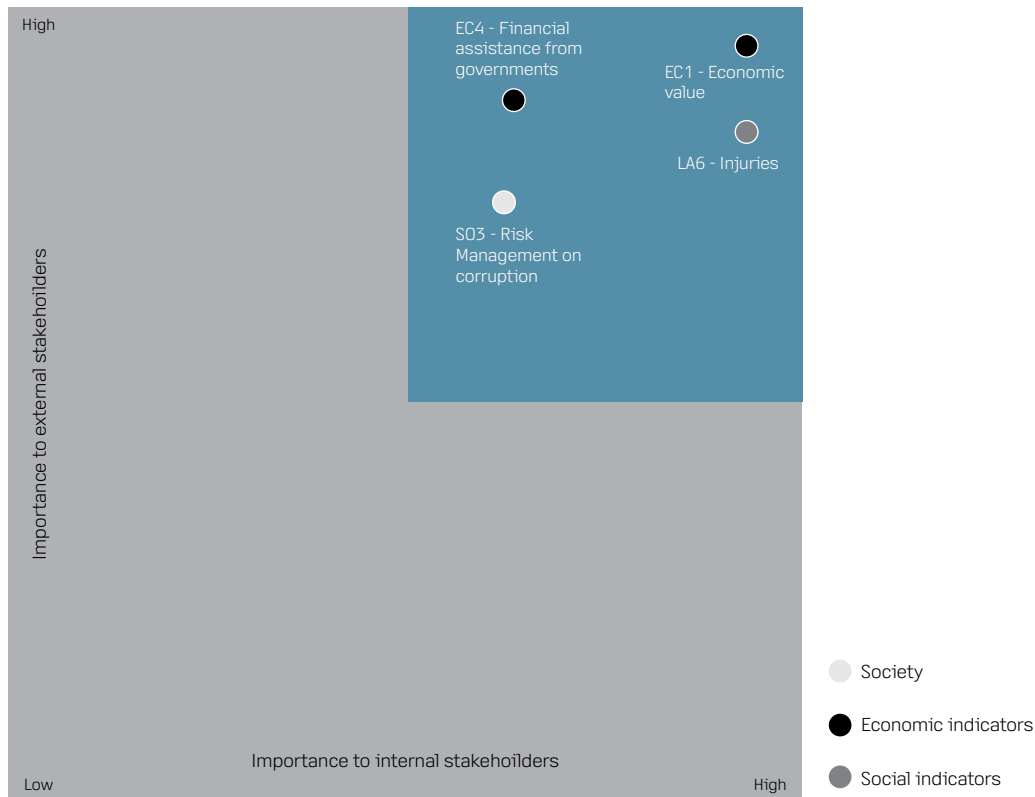
The Company engages its stakeholders regularly through various communications channels. Such engagement with stakeholders allows for the Company to identify, review and add to its sustainability efforts.

| STAKEHOLDER GROUPS (G4-24)  | PURPOSE & GOAL (G4-25)  | MODES OF ENGAGEMENT (G4-26)   | KEY CONCERNS RAISED BY STAKEHOLDER GROUPS (G4-27)   |
|---|---|---|---|
|  <p><b>Shareholders &amp; Investors – institutional investors</b></p> | <p>Provide timely and accurate information to shareholders and the investing public</p>   | <p>Dedicated Investor Relations section on the company's website</p> <p>SGXNet announcements</p> <p>Annual General Meetings</p> <p>Extraordinary General Meetings</p> <p>Quarterly Financial Reports</p> <p>Annual reports</p> <p>Meetings with investors, roadshows and conferences</p> <p>Corporate and marketing videos, factsheets</p> <p>Communications via social media</p> | <p>Business performance and strategy</p> <p>Sustainable delivery of returns</p> <p>Industry conditions</p> <p>Market presence</p>           |
|  <p><b>Partners and Clients</b></p>                                  | <p>Collaborative efforts with partners to find oil in exploration drilling campaigns</p> <p>Provide timely and accurate RVD analyses to clients</p> | <p>Regular meetings, feedback and correspondence</p> <p>Electronic communications</p>   | <p>Timely financial contribution to exploration drillings</p> <p>Fast and accurate RVD analyses</p> <p>Environment, health &amp; safety</p> |
|  <p><b>Employees</b></p>   | <p>Inclusive environment with enhanced well-being and productivity, opportunities to develop skills</p>   | <p>Weekly internal meetings</p> <p>Employment incentives</p> <p>Training courses</p> <p>Staff bonding activities</p>  | <p>Reward and recognition</p> <p>Training and career development</p>  |
|  <p><b>Regulators and service providers</b></p>                      | <p>Compliance with government policies, rules and regulations</p> <p>Fair and reasonable treatment</p>  | <p>Regular meetings, feedback and correspondence</p>  | <p>Compliance with rules and regulations</p> <p>Sharing of best practices</p>   |
|  <p><b>Community</b></p>   | <p>Contribute to the communities we operate in</p>  | <p>Corporate social responsibility efforts</p>  | <p>Environment</p> <p>Corporate philanthropy</p>  |

## MATERIALITY ASSESSMENT

A materiality assessment was conducted by the Management, referencing the GRI G4 Guidelines, to define the key material issues for Rex International Holding. For FY2017, the Management and Board reviewed and endorsed the following material factors:

## MATERIALITY MATRIX



## MATERIAL ISSUES SELECTED FOR SUSTAINABILITY REPORTING

| NO. | CATEGORY | ESG ISSUES                            | MAPPED TO GRI ASPECTS   |
|-----|----------|---------------------------------------|---|
| 1   | Economic | Economic and financial performance    | EC1 - Economic value generated and distributed  |
| 2   | Economic | Economic consideration for investment | EC4 - Financial assistance received from government   |
| 3   | Social   | Worker Health and Safety              | LA6 - Injury, lost days and total number of work-related fatalities, by region and by gender                              |
| 4   | Society  | Risk Management                       | S03 - Total number and percentage of operations assessed for risks related to corruption and significant risks identified |

The abovementioned material ESG factors are further elaborated in the Sustainability Report along with other non-material ESG factors.

## APPROACH TO SUSTAINABILITY

Since its listing in July 2013, Rex International Holding has strived to create long-term growth to shareholders, offer investors a sound investment opportunity based on its game-changing technology, adopt responsible business practices and high corporate governance standards, lessen adverse impact to the environment, be an employer of choice and contribute back to communities where it operates.



### SUSTAINABILITY GOVERNANCE (G4-34)

- The Management, headed by the Chief Executive Officer, oversees sustainability at Rex International Holding. This sets the tone for the integration of business and sustainability strategy from the top. Management also reviews the Company's sustainability strategy, approach and performance. During the year, several senior management members attended sustainability workshops.
- Rex International Holding was ranked No. 51 in the Singapore Corporate Transparency Index 2017, out of more than 600 companies listed on both the Singapore Exchange's Mainboard and Catalist. This was the highest ranking among Mainboard and Catalist oil exploration & production companies in Singapore.
- Rex International Holding was among the Top 30 (ranked 28 out of some 600 Mainboard and Catalist companies) in the inaugural Investor Relations Website Survey of listed companies in Singapore done by the Investors Relations Practitioners Association of Singapore (IRPAS) and EQS.



### ECONOMIC

#### ECONOMIC AND FINANCIAL PERFORMANCE\*

- Details of the Company's economic and financial performance are found in the Financial Statements section of this Annual Report.

#### FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT\*

- With oil exploration being a capital intensive industry, the Company looks to invest in exploration assets in jurisdictions that offer attractive tax incentives.

Incentives or financial assistance from the governments in these jurisdictions are a key determining factor for the Group's investment decisions as these will have a bearing on the Group's return on investment in the long term.

- The Company's subsidiary Lime Petroleum AS was established in 2012 and became a Pre-qualified Petroleum Company in Norway in February 2013. Hence, the company is eligible for tax rebates of 78 per cent of all oil exploration costs, regardless of any oil discovery or not. This allows the Group to participate in a highly developed oil market among reputed operators in Norway.
- This aspect would continue to be a major consideration for the Company's investment decisions in the future.



### SOCIAL

#### WORKER HEALTH & SAFETY\*

- The upstream or oil exploration & production sector is a capital and labour intensive sector that carries significant risks. The drilling of exploration wells requires a technically specialised crew to be on-site for weeks in a potentially combustible environment. As such, the Company considers worker health and safety to be a material ESG factor.
- Operators managing exploration drillings in which the Company participates have to adhere to strict Environment, Health, Safety and Security (EHSS) regulations and are subject to pre-qualification and audit for every drilling undertaken in the respective jurisdictions.
- Where Rex International Holding or any of its subsidiaries is the operator, risks associated with its operations are managed through the implementation of its Operations Risk Management System ("ORMS"). The ORMS is adapted to the local rules and regulations in each jurisdiction where necessary.
- The Group aims to have zero major injuries and fatalities in drilling campaigns where its subsidiary is the operator.
- The Group participated in one drilling in Oman in 2017. An incident occurred during the drilling, resulting in some operational difficulties. However, no major injuries nor fatalities were sustained during the incident.

\*Material ESG factor

## TALENT MANAGEMENT

- As a relatively young company, the Company considers human capital as one of its key assets. The Company aims to inculcate its values of innovation, integrity and entrepreneurship among its staff by availing learning and development opportunities to them.
- In 2017, the Company's employees have been assessed against a set of internal performance targets, which also includes Environmental, Social and Governance (ESG) targets.
- Rex International Holding offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit, to its employees. Employees are also entitled to various healthcare and insurance subsidies.
- The Company agrees with international human rights conventions, such as the Universal Declaration of Human Rights and the International Labour Organisation (ILO) Conventions, against coerced labour and discrimination in any form.

## STAFF DEVELOPMENT

- The provision of appropriate development and training opportunities to employees is one of the key internal performance targets monitored by the Company. In 2017, employees attended a variety of training and seminars.
- The Company also engages its employees in regular social events.

## DIVERSITY AND INCLUSION

- The Company embraces diversity in terms of gender, age and ethnicity in its work force.
- In FY2017, there was one voluntary departure. There were no new hires during the financial year.
- In FY2017, one female staff member returned to work after maternity leave.



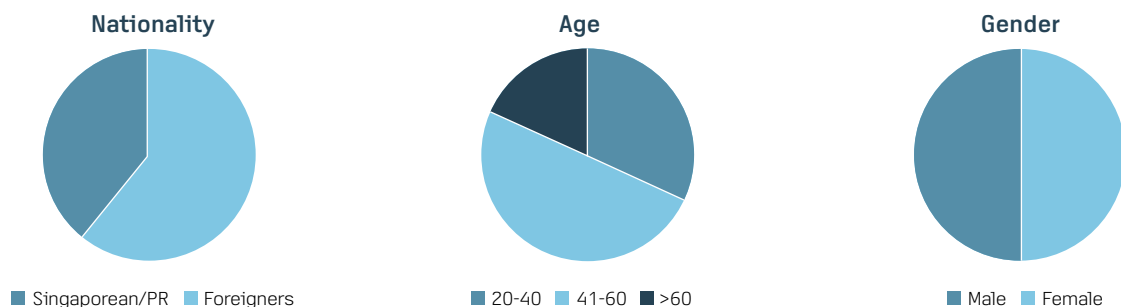
SOCIETY

## RISK MANAGEMENT\*

- The Company views Risk Management as a key governance factor and is committed to maintaining a sound system of risk management and internal controls to safeguard shareholders' interest and the Company's assets.
- A Risk Management Committee, overseen by the Audit Committee, is in place.
- Details of the Company's Enterprise Risk Management are found in the Corporate Governance section of this Annual Report.
- The Company aims to continue to mitigate risks effectively and to ensure that internal controls remain robust.

## CODE OF CONDUCT & ETHICS POLICY

- All board committees are chaired by independent non-executive Directors.
- Each year, the Nominating Committee undertakes a process to evaluate the effectiveness of the Board as a whole and the Board Committees, facilitated by an independent external consultant, if and when necessary. More details are found in the Corporate Governance section of this Annual Report.
- The Company has in place a code of ethics and business conduct policy and a conflict of interest policy, which encompass the Company's strong stance against bribery and corruption. A whistle-blowing policy is also in place. There was no incidence of whistle-blowing, bribery or corruption, anti-competitive behaviour nor fines for non-compliance with the law in FY2017, as was the case in FY2016. (G4-S03,G4-S04,G4-S05)



Note: Charts are for Rex International Holding Limited only; excludes subsidiaries and jointly controlled entities.

\*Material ESG factor

## COMMUNITY

- As a young company, we aspire to do good in the communities we operate in. In 2017, Rex International Holding's Singapore office contributed to the Boys' Brigade Share-a-Gift initiative, a high profile national community service project that promotes the spirit of caring and sharing among Singaporeans during the year-end festivities. The Company participated in similar community projects in previous years.



## PRODUCT RESPONSIBILITY

### MARKETPLACE & CUSTOMERS

- The Company had previously used its proprietary technology Rex Virtual Drilling ("RVD") on its own assets. With the collapse of oil prices since mid-2014, the Company has made the strategic decision to also offer RVD as a service for oil exploration companies, as an additional tool to de-risk their assets.
- Research and development efforts on RVD have continued unabated during the past few years. The latest version, RVD version 3, is even more accurate and faster than previous versions, allowing the Company to scale up on the number of licences to be analysed at any one time.
- Continued to strive towards compliance with privacy protection rules with regard to our shareholders and customers.
- In marketing communications, the Company strives for a high standard in fair marketing communications.
- In end-2017, a new client in Norway was clinched for RVD services.
- The Company aims to garner more external clients for its RVD services in 2018.



## ENVIRONMENTAL

- The Group's suite of technologies, including Rex Virtual Drilling, Rex Gravity and Rex Seepage are environmentally friendly. These technologies empower the Group to have a higher chance of success in finding oil, and in turn, minimises the use of resources and the adverse impact on the environment as fewer dry wells will be drilled.
- With SGX allowing the move towards electronic transmission of shareholder documents with effect from March 2017, the Company is seeking shareholders' approval at its 2018 Annual General Meeting to change its Memorandum and Articles of Association accordingly so as to adopt the e-communication regime for its shareholder base. This proposed e-communication regime will help in reducing the Company's environmental footprint while lowering operational costs. Once approved, the Company intends to do away with mailing out physical copies of the Annual Report and CD-ROMs of the Qualified Person's Reports and will write to shareholders to explain that the same information can be viewed on our website. However, physical copies of the Annual Report will still be made available upon request.

| ITEM  | DESCRIPTION  | PAGE REFERENCE AND REMARKS              |
|---|--|---|
| <b>Strategy &amp; Analysis</b>                    |  |   |
| G4-1  | Statement from senior decision maker   | pg 4-7                                  |
| G4-2  | Description of key impacts, risks and opportunities  | pg 4-7                                  |
| <b>Organisational Profile</b>                     |  |   |
| G4-3  | Name of the organisation   | pg 1                                    |
| G4-4  | Primary brands, products, and/or service   | pg 1                                    |
| G4-5  | Location of headquarters   | pg 1                                    |
| G4-6  | Countries of operation   | pg 2                                    |
| G4-7  | Nature and ownership and legal form  | pg 2, 22-29                             |
| G4-8  | Markets served   | pg 22-29                                |
| G4-9  | Scale of the organisation  | pg 7                                    |
| G4-10   | Size of workforce  |   |
| G4-11   | Employees covered by collective bargaining agreements  | NA                                      |
| G4-12   | Organisation's supply chain  | NA                                      |
| G4-13   | Change in organisation's size, structure, ownership, or its supply chain   | NA                                      |
| G4-14   | How precautionary approach is addressed  |   |
| G4-15   | Externally developed charters, principles, or other initiatives to which the organisation subscribes   | NA                                      |
| G4-16   | Membership of associations and advocacy organisations  | Member of Singapore Business Federation |
| <b>Identified Material Aspects and Boundaries</b> |  |   |
| G4-17   | Entities included in the organisation's consolidated financial statements  |   |
| G4-18   | Process for defining the report content and the aspect boundaries  | pg 33-38                                |
| G4-19   | List of identified material aspects  | pg 35                                   |
| G4-20   | Aspect boundary of material aspect within the organisation   | pg 33-35                                |
| G4-21   | Aspect boundary of material aspect outside the organisation  | pg 33-35                                |
| G4-22   | Restatement of information   | Nil                                     |
| G4-23   | Significant change from previous reporting periods in the scope and aspect boundaries  |   |
| <b>Stakeholder Engagement</b>                     |  |   |
| G4-24   | List of stakeholder groups engaged   | pg 34                                   |
| G4-25   | Basis for identification and selection of stakeholders with whom to engage   | pg 34                                   |
| G4-26   | Approach to stakeholder's engagement   | pg 34                                   |
| G4-27   | Key topics and concerns raised through stakeholder engagement  | pg 34                                   |
| <b>Report Profile</b>                             |  |   |
| G4-28   | Reporting period   | pg 33                                   |
| G4-29   | Date of most recent previous report  | pg 33                                   |
| G4-30   | Reporting cycle  | pg 33                                   |
| G4-31   | Contact point for questions regarding the report or its contents   | pg 33                                   |
| G4-32   | GRI content index  | pg 39-40                                |
| G4-33   | External assurance   | Nil                                     |
| <b>Governance</b>                                 |  |   |
| G4-34   | Governance structure   |   |
| <b>Ethics and Integrity</b>                       |  |   |
| G4-56   | Values, principles, ethics and standards   | pg 1                                    |
| G4-57   | Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity, such as helplines or advice lines.   | pg 32, 37                               |
| G4-58   | Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity, such as escalation through the management, whistleblowing mechanisms or hotlines | pg 32, 37                               |

## SPECIFIC STANDARD DISCLOSURES

| ITEM  | DESCRIPTION   | PAGE REFERENCE AND REMARKS |
|---|---|----------------------------|
| <b>Performance Indicators</b>                 |   |                            |
| <b>ECONOMIC</b>                               |   |                            |
| <b>Aspect: Economic Performance</b>           |   |                            |
| G4-EC1  | Direct economic value generated and distributed   | pg 3, 30-31                |
| G4-EC4  | Financial assistance received from government   | pg 25, 36                  |
| <b>Aspect: Market Presence</b>                |   |                            |
| G4-EC6  | Proportion of senior management hired from local community  |                            |
| <b>ENVIRONMENT</b>                            |   |                            |
| <b>Products and Services</b>                  |   |                            |
| G4-EN3  | Energy consumption within the organisation  |                            |
| G4-EN24                                       | Significant spills  | Nil                        |
| G4-EN27                                       | Initiatives to mitigate environmental impacts of products   | pg 38                      |
| <b>SOCIAL</b>                                 |   |                            |
| <b>Labour Practices and Decent Work</b>       |   |                            |
| <b>Aspect: Employment</b>                     |   |                            |
| G4-LA1  | New hires and employee turnover   | pg 37                      |
| G4-LA3  | Return to work and retention rates after parental leave, by gender  | pg 37                      |
| <b>Aspect: Occupational Health and Safety</b> |   |                            |
| G4-LA6  | Occupational injury   | pg 36                      |
| <b>Aspect: Training and Education</b>         |   |                            |
| G4-LA10                                       | Skills management and lifelong learning   | pg 37                      |
| <b>Human Rights</b>                           |   |                            |
| <b>Aspect: Non-Discrimination</b>             |   |                            |
| G4-HR3  | Incidence of discrimination and corrective actions taken  | Nil                        |
| <b>Society</b>                                |   |                            |
| <b>Aspect: Anti-Corruption</b>                |   |                            |
| G4-S03  | Total number and percentage of operations assessed for risks related to corruption and the significant risks identified |                            |
| G4-S04  | Communication and training on anti-corruption policies and procedures   | pg 37                      |
| G4-S05  | Confirmed incidents of corruption and actions taken   | Nil                        |
| <b>Product Responsibility</b>                 |   |                            |
| <b>Aspect: Marketing Communications</b>       |   |                            |
| G4-PR7  | Incidence of non-compliance with regulations and voluntary codes concerning marketing communications                    | Nil                        |
| G4-PR8  | Substantiated complaints regarding breaches of customer privacy and loss of data  | Nil                        |

## 10 UN GLOBAL COMPACT PRINCIPLES

| PRINCIPLE              | DESCRIPTION  | PAGE REFERENCE |
|------------------------|--|----------------|
| <b>HUMAN RIGHTS</b>    |  |                |
| Principle 1            | Businesses should support and respect the protection of internationally proclaimed human rights; and                     | pg 37          |
| Principle 2            | Make sure that they are not complicit in human rights abuses.  | NA             |
| <b>LABOUR</b>          |  |                |
| Principle 3            | Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; | NA             |
| Principle 4            | The elimination of all forms of forced and compulsory labour;  | NA             |
| Principle 5            | The effective abolition of child labour; and   | NA             |
| Principle 6            | The elimination of discrimination in respect of employment and occupation.   | PG 37          |
| <b>ENVIRONMENT</b>     |  |                |
| Principle 7            | Businesses should support a precautionary approach to environmental challenges;  | PG 38          |
| Principle 8            | Undertake initiatives to promote greater environmental responsibility; and   | PG 38          |
| Principle 9            | Encourage the development and diffusion of environmentally friendly technologies.  | PG 17-19       |
| <b>ANTI-CORRUPTION</b> |  |                |
| Principle 10           | Businesses should work against corruption in all its forms, including extortion and bribery.                             | PG 37          |