

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5143
COMPANY NAME : Luxchem Corporation Berhad
FINANCIAL YEAR : December 31, 2020

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("Board") of Luxchem Corporation Berhad ("Company") is led by three Independent Directors and three Executive Directors. The combination of 50% of Independent Directors and 50% of Executive Directors, enables the Board to have balanced views and make well-thought-out decisions at the Board level.</p> <p>The Board sets, discusses and reviews matters of strategic interest and major decisions that impact the areas of corporate governance, audit, internal control, risk management, sustainability, financial and operational compliance as well as matters important to various stakeholders of the Company.</p> <p>The Board has established Board Committees such as Audit and Risk Management Committee ("ARMC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Each committee has distinctive functions, roles and responsibilities. All the Committees are headed by Independent Directors and they are well-resourced. The Board is also being assisted and advised by competent company secretaries, external auditors and internal auditors when carrying out their functions.</p> <p>The Independent Directors are able to contribute through their knowledge and experience in discussions at the Board meetings and where appropriate, the necessary actions are implemented.</p> <p>For clarity, the Board Charter sets and states categorically the authority, roles and responsibilities for each member of the Board and the Board Committees. The Board Charter is regularly reviewed and updated in accordance with the changing requirements. The Board Charter, including the Terms of Reference of the Board Committees, is available at the Company's website at www.luxchem.com.my.</p>

During the financial year ended 31 December 2020 (“FY 2020”), the Board has appointed three independent directors in March 2020 and has, inter alia, carried out the followings:

Strategic and Compliance Matters

The Board discussed and reviewed budget, risk management, internal control, corporate governance, financial, operational and compliance matters in all of its formal and informal meetings.

The Board also discussed and approved expenditure and acquisition plans proposed by the Executive Directors.

The Board discussed and reviewed the financial performance of the Company on quarterly basis to ensure integrity in its reporting and announcements, meeting and complying with the Malaysian Financial Reporting Standards.

The three Independent Directors from different background and industry are able to contribute diverse views and insights to the Board. The Chairman of ARMC, NC and RC, reports to the Board on key issues deliberated and outcomes of the meeting.

Review of Management Team’s Performance

The Executive Directors reviewed and evaluated the Management Team’s performance and contribution. Clear, meaningful and measurable objectives for the years were discussed and set. The review and progress of the objectives were evaluated, tracked and reviewed on monthly or mid-year basis.

Risk Management and Internal Control

The Executive Directors and the Group’s Management Team reviewed, discussed, actioned and updated on the Group’s Enterprise Risk Management including the key issue facing by the Group such as COVID-19 pandemic. The Board ensured that the risk management and internal framework remains relevant and applicable.

The Board, through its ARMC, assessed and evaluated the Group’s operation risks and the integrity of the Company’s financial and non-financial reporting. With the professional support of internal and external auditors as the “guardian” of the Company, perils and risks could be highlighted and identified to the Board for their swift response.

Good Corporate Governance

The Board emphasised the compliance of Section 17A of Malaysian Anti-Corruption Commission 2009 in the Group since its enforcement on 1 June 2020 and updated the Whistleblowing Policy.

Succession Planning

	<p>As part of succession planning of the Board and Key Management Positions, the former NC evaluated and nominated three new Independent Directors in FY 2020 to replace the former Independent Directors that had been served to the Board for more than 12 years.</p> <p><u>Stakeholder Engagement and Communication</u></p> <p>The Company kept its shareholders informed of all the important matters through making and releasing important announcements via Bursa Securities, media and also publishing the relevant announcements in its website.</p>	
<p>Explanation for departure</p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>	<p>:</p>	
<p>Timeframe</p>	<p>:</p>	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	<p>The existing Independent Non-Executive Chairman of the Company was appointed to the Board to replace the former Chairman on 13 March 2020.</p> <p>The Chairman of the Board is leading the Board towards inculcating good corporate governance and ensuring the Board's relevance and effectiveness to the Company and its Group's interest.</p> <p>The new Chairman of the Board, Datuk Kwan Foh Kwai, is a well-known person in the construction industry and has extensive experience in the industry. Hence, he is able to lead the Board in setting the policies for the Company to meet its goals and objectives and under his leadership, the Board has discharged its responsibilities effectively. His profile is available at the Annual Report 2020 and Company's website at www.luxchem.com.my</p> <p>The roles and responsibilities of the Chairman are provided in Appendix B of the Board Charter, which is published in the Company website at www.luxchem.com.my. The stakeholders may also communicate with the Company at luxchem@luxchem.com.my.</p> <p>In addition, the Chairman also has other responsibilities with regard to the conduct of Board meetings:</p> <ul style="list-style-type: none">• Chairing the meeting;• Setting agenda of the meeting with the Board members;• Ensuring the meeting is conducted orderly and effectively;• Ensuring sufficient information and meeting papers are being provided to the Board members;• Leading the meeting and discussion;• Encouraging participation and ensuring sufficient time for views of Board members to be expressed;• Ensuring and maintaining professional working relationship between members of the Board meeting;• Providing answers to the issues raised by shareholders.
Explanation for departure	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied
Explanation on application of the practice	:	<p>The positions of Chairman and Managing Director/Chief Executive Officer ("MD/CEO") are held by different individuals to ensure that the roles and responsibilities are held separately for better accountability and transparency.</p> <p>The Board has clearly defined the respective functions of the Chairman and the MD/CEO. Formal position descriptions for the Chairman and MD/CEO outlining their respective roles and responsibilities are set out in the Board Charter available at www.luxchem.com.my.</p> <p>The Chairman is responsible for representing the Board to the shareholders. The Chairman is also responsible for ensuring the integrity and effectiveness of the governance process of the Board and maintaining regular dialogue with the MD/CEO in its collective oversight over all operational matters of the Group and will consult with the Board over any matter that gives him cause for concern.</p> <p>All Board's authority conferred on the Management is delegated through the MD/CEO so that the authority and accountability of management is considered to be the authority and accountability of the MD/CEO as far as the Board is concerned.</p> <p>The MD/CEO focuses on the business and day-to-day management of the Company and is accountable to the Board for the achievement of the Company's goals and Group's business performance.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	: Applied
Explanation on application of the practice	<p>The Board is assisted by three qualified and competent Company Secretaries. Two of them are members of Malaysian Institute of Accountants whilst the other is a member of Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>During the FY 2020, the Company Secretaries performed the following tasks:</p> <ul style="list-style-type: none"> a) Provided support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group; b) Played an advisory role to the Board, particularly with regards to the Company's Constitution, Board's policies, Board Charter and procedures as well as updating and, advising the Board on compliance with regulatory and listing requirements, codes, guidelines and legislations from time to time; c) Monitored corporate governance developments and assisted the Board in adhering to the principles and practices of best corporate governance practices to meet the Board's needs and stakeholders' expectations; and d) Managed and attended Board meetings, Board Committees meetings, and ensure that deliberations and decisions at the respective meetings were accurately minuted including whether any Director has abstained from voting or deliberating on a particular matter. The minutes were kept in the minutes books and subsequently communicated to the relevant parties for necessary actions to be taken. <p>All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretaries shall be the prerogative of the Board as a whole.</p> <p>As the Company Secretaries will keep the Directors and shareholders informed of their legal responsibilities and ensure documents relating to the management of the Company are up to date and correct, the</p>

	Board is able to run the Company more effectively to ensure all the objectives and goals are met.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group.</p> <p>Directors have full and unrestricted access to all information pertaining to the Group's business and affairs including major financial, operational and corporate matters.</p> <p>The Board and/or Board Committees papers are prepared and distributed to the Directors and/or Committee Members at least five business days before the Board and/or Board Committees' meetings to allow the Board and/or Committee Members to receive the information in a timely manner.</p> <p>Notices of meetings and meeting materials are circulated at least five business days before the Board and Board Committees' meetings. Urgent matters falling outside these timing requirements are allowed, subject to the Board Chairman's approval.</p> <p>Upon conclusion of meetings, the Company Secretaries circulate the minutes, and ensure the minutes of meetings accurately reflect the deliberations and decisions of the Board.</p> <p>As meeting materials are distributed in advance, all Board members can prepare ahead and contribute effectively during the meetings. With prompt distribution of minutes, the Board is promptly notified and reminded on the actions and plans. This has aided the Company in decision making to achieve stable growth since its listing.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has formalised its Board Charter. The Board Charter was reviewed and approved by the Board on 27 October 2020 and published on the Company's website at www.luxchem.com.my. Board Charter serves as a reference for the fiduciary duties as a Director of the Company (inclusive of Senior Independent Director) and the functions of the Board Committees.</p> <p>The Board reviews the Board Charter annually and make necessary amendments to ensure that they remain relevant and consistent with the Board's objective and values, current law and best practices to enable the Board to discharge its responsibilities effectively.</p> <p>The Board Charter regulates how the Company's business is conducted, as well as guiding the Board to discharge its fiduciary duties in the best interests of the Company. With the roles and responsibilities of the Board and senior management clearly defined, this has contributed towards the growth of the Company.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Directors' Code of Best Practice, since its formalisation, has included the latest development on anti-money laundering, anti-corruption and abuse of power. The Code of Best Practice to promote good corporate behaviours of the Board, management and employees, is published on the Company's website at www.luxchem.com.my.</p> <p>Board members are required to declare any personal, professional or business interests that may conflict with Directors' responsibilities in discharging their fiduciary duties.</p> <p>All senior management are required to disclose their conflict of interest situations if any, to the Company on an annual basis.</p> <p>The Company's Code of Best Practice allows all staff to hold themselves to the highest standards in any given behaviour or action, in the course of conducting business. Interested employee shall abstain from the decision-making process. The ethical conduct of business has led to sales growth due to the reliability of the Company as a trusted chemical supplier.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had established a Whistleblowing Policy in 2018 which is available on the Company’s website at www.luxchem.com.my. Posters are placed in all offices to create awareness among the employees. The Whistleblowing Committee comprises three Independent Non-Executive Directors.</p> <p>The Whistleblowing Policy provides a structured reporting channel and guidance to all stakeholders to provide information on fraud, wrongdoings or non-compliance to any rule or procedure within the Group.</p> <p>Whistle blowers can report any improper conduct to any of the Whistleblowing Committee members.</p> <p>Whistle blowers may also report directly to an outsourced independent party at whistleblower@crowe.my on any fraudulent actions or improper conduct.</p> <p>The identity of the whistle blowers will be kept confidentially by the Whistleblowing Committee and the Management.</p> <p>During the FY 2020, no whistleblowing reports were received by the Committee members.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied							
Explanation on application of the practice	:	<p>The Board consists of a total of six members with three Independent Directors and three Executive Directors.</p> <table border="1" data-bbox="635 663 1090 777"> <thead> <tr> <th>Independence</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>50%</td> </tr> <tr> <td>Non-Independent Directors</td> <td>50%</td> </tr> </tbody> </table> <p>The Boards provides a diversity of perspectives and views to ensure a thoughtful and objective discussion and where necessary, the appropriate actions are implemented subsequently.</p>		Independence	%	Independent Directors	50%	Non-Independent Directors	50%
Independence	%								
Independent Directors	50%								
Non-Independent Directors	50%								
Explanation for departure	:								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>									
Measure	:								
Timeframe	:								

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	For FY 2020, the Board appointed three new Independent Directors on 13 March 2020. Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong joined the Board in replacement of Dato' Haji Mokhtar Bin Haji Samad, Mr Chan Wan Siew and Mr Au Chun Choong, who have retired from the Board after servicing for more than 12 years.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 - Step Up

The board has a policy which limits the tenure of its independent directors to nine years.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	: Applied
Explanation on application of the practice	<p>The Board consists of three Executive Directors (inclusive of MD/CEO) and three Independent Directors.</p> <p>The Board is qualified, with diverse background, skills and experience to assess risk, anticipate challenges and identify opportunities. The Company attributes its growth as partly due to its Board composition, as it gives the advantage to the Board by adding varying perspectives when deliberating and making its decisions.</p> <p>Before recommending candidates to be appointed by the Board, the Nominating Committee would apply the following criteria in screening and evaluating new candidates:</p> <ul style="list-style-type: none">a. skills, knowledge, expertise and experience;b. professionalism;c. integrity;d. education;e. cultural background;f. gender;g. time commitment; andh. in the case of candidates for the position of Independent Directors, the NC also evaluates the candidate's ability to discharge its responsibilities/functions as expected from the Independent Directors. <p>Upon selection and appointment, a formal invitation to join the Company as a Board member would be extended by the Chairman of the Board.</p> <p>The appointment of three Independent Directors in FY 2020 followed the criteria as described above. In addition, the appointment was recommended by the former NC through its independent assessment without the involvement and influence of the Company.</p> <p>The composition of the Board is well balanced to address any business challenges and to drive the business of the Group to greater heights.</p> <p>There is no new appointment to the position of senior management in FY 2020. When appointing senior management in the Group, if any, the</p>

	assessment will take into consideration criteria point (a) to point (g) as stated above in determining the overall suitability of the candidate.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

Application	:	Applied							
Explanation on application of the practice	:	<p>A summary of the Board composition based on gender in FY 2020 is set out below:</p> <table border="1" data-bbox="635 734 876 851"> <thead> <tr> <th>Gender</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Male</td> <td>67%</td> </tr> <tr> <td>Female</td> <td>33%</td> </tr> </tbody> </table> <p>The Company has met the nation's target of 30% representation of women directors on the board of public listed companies.</p> <p>For the FY 2020, out of the six Board members, two of them are female Directors, which represent 33.33% of the total Board members.</p> <p>The appointment of Madam Chin Song Mooi and Madam Chen Moi Kew to the Board is evidence that the Board does not consider gender as a prerequisite to the directorship. The directorship is dependent on each candidate's skills, experience, core competencies and other qualities.</p>		Gender	%	Male	67%	Female	33%
Gender	%								
Male	67%								
Female	33%								
Explanation for departure	:								
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>									
Measure	:								
Timeframe	:								

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

Application	:	Applied	
Explanation on application of the practice	:	The Board is of the opinion that the current Board members, including the newly appointed Independent Non-Executive Directors in FY 2020 are able to meet the requirements of the Company for now. With the three independent directors came on Board on 13 March 2020, the Company does not have any intention of appointing new Independent Director for now or in the near future. If the new appointment of Independent Non-Executive Director is necessary, the Company will use independent sources for sourcing suitably qualified candidates.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	: Applied																
Explanation on application of the practice	<p>The NC is responsible for overseeing and reviewing, on an annual basis, the skills, experience, knowledge, time commitment, integrity, and characteristics required of the Directors and the Board's effectiveness in considering the needs of the Group and its business. The Terms of Reference of the NC and Senior Independent Director is included in the Board Charter and available on the Company's website at www.luxchem.com.my.</p> <p>In order to ensure that the selection and evaluation of Directors are done objectively, the NC members are solely made up of Independent Directors and the said Committee is chaired by the Independent Director. The composition of NC for FY 2020 are as follows:</p> <table border="1"><thead><tr><th>Former NC (From 1 January 2020 to 13 March 2020)</th><th>Position</th></tr></thead><tbody><tr><td>Chairman - Mr Chan Wan Siew</td><td>Senior Independent Non-Executive Director</td></tr><tr><td>Member - Mr Au Chun Choong</td><td>Independent Non-Executive Director</td></tr><tr><td>Member - Dato' Haji Mokhtar Bin Haji Samad</td><td>Independent Non-Executive Chairman</td></tr></tbody></table> <table border="1"><thead><tr><th>Current NC (From 13 March 2020 to 31 December 2020)</th><th>Position</th></tr></thead><tbody><tr><td>Chairman - Mr Tan Teck Kiong</td><td>Independent Non-Executive Director</td></tr><tr><td>Member - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td><td>Independent Non-Executive Director</td></tr><tr><td>Member - Datuk Kwan Foh Kwai</td><td>Independent Non-Executive Chairman</td></tr></tbody></table> <p>As of to-date, the Company has not appointed any Senior Independent Non-Executive Director after the resignation of Mr Chan Wan Siew, the former Senior Independent Non-Executive Director of the Company on 13 March 2020. Senior Independent Non-Executive Director will be appointed / considered in due course.</p>	Former NC (From 1 January 2020 to 13 March 2020)	Position	Chairman - Mr Chan Wan Siew	Senior Independent Non-Executive Director	Member - Mr Au Chun Choong	Independent Non-Executive Director	Member - Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman	Current NC (From 13 March 2020 to 31 December 2020)	Position	Chairman - Mr Tan Teck Kiong	Independent Non-Executive Director	Member - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Independent Non-Executive Director	Member - Datuk Kwan Foh Kwai	Independent Non-Executive Chairman
Former NC (From 1 January 2020 to 13 March 2020)	Position																
Chairman - Mr Chan Wan Siew	Senior Independent Non-Executive Director																
Member - Mr Au Chun Choong	Independent Non-Executive Director																
Member - Dato' Haji Mokhtar Bin Haji Samad	Independent Non-Executive Chairman																
Current NC (From 13 March 2020 to 31 December 2020)	Position																
Chairman - Mr Tan Teck Kiong	Independent Non-Executive Director																
Member - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Independent Non-Executive Director																
Member - Datuk Kwan Foh Kwai	Independent Non-Executive Chairman																

Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

Application	:	Applied								
Explanation on application of the practice	:	<p>The NC will meet at any time when the need arises. During FY 2020, the NC held meetings on 14 February 2020, 6 March 2020 and 13 March 2020 to review and assess the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Independent Directors and Executive Directors, the contribution of each individual Director, the effectiveness of the Board as a whole and the Board Committees. The NC also discussed, assessed and recommended the appointment of three Independent Directors in these meetings.</p> <p>In FY 2020, the details of attendance of each member at the NC meeting are as follows. No NC meeting was being held after the appointment of three new Independent Directors:</p> <table border="1"><thead><tr><th>Name of former NC Members</th><th>Attendance</th></tr></thead><tbody><tr><td>Mr Chan Wan Siew*</td><td>3/3</td></tr><tr><td>Mr Au Chun Choong*</td><td>3/3</td></tr><tr><td>Dato' Haji Mokhtar Bin Haji Samad*</td><td>3/3</td></tr></tbody></table> <p>*Directors had resigned on 13 March 2020.</p> <p>During the FY 2020, the NC had carried out evaluation on Board and Board Committees by using criteria as follows:</p> <p>a) Board and Board Committee Evaluation Form</p> <ul style="list-style-type: none">• Contribution to interactions, roles and duties, knowledge and integrity• Oversight over the effectiveness and quality of the internal and external audits, risk management and internal control and financial reporting• Governance, independence and risk management, ability to discharge roles and duties as well as knowledge and contribution to the Company	Name of former NC Members	Attendance	Mr Chan Wan Siew*	3/3	Mr Au Chun Choong*	3/3	Dato' Haji Mokhtar Bin Haji Samad*	3/3
Name of former NC Members	Attendance									
Mr Chan Wan Siew*	3/3									
Mr Au Chun Choong*	3/3									
Dato' Haji Mokhtar Bin Haji Samad*	3/3									

b) Board Skills Matrix Form

- Assess the composition, knowledge, skills and experience of the Board

c) Directors'/Key Officers' Evaluation Form

- Ability to give input at meetings
- Ability to demonstrate a high level of professionalism and integrity in the decision making process
- Competency and contribution

d) ARMC and ARMC Members' Self and Peer Evaluation Form

- Quality and composition
- Skills and competencies
- Meeting administration and conduct

e) Financial Literacy Questionnaire for ARMC members

- Ability and competency to read, analyse and interpret financial statements.

f) Assessment of independence of the Independent Directors

These forms were sent to Directors for their self and/or peer assessment and for them to provide their feedback, views and suggestions for improvement. The results of the assessment were compiled by the Company Secretary and a summary of the evaluations was tabled to the NC and Board for review and deliberation on 19 February 2021.

All assessments and evaluations carried out by the NC in the discharge of its functions are properly documented.

Based on the assessment conducted for the financial year under review, the NC concluded that the existing structure of the Board and Board Committees is appropriate and effective due to the following:

- The Company has a well-balanced Board. It comprises three members, all of whom are Independent Non-Executive Directors and three Executive Directors;
- The Board is of the right size and comprises individuals who have diverse skills, knowledge, experience and expertise that combines to provide different perspectives and effective board dynamics. Thus, it enables effective and constructive deliberations whereby any decision made is founded on detailed and balance considerations;
- Each Board member understands its role and responsibilities and is committed in discharging its fiduciary duties; and
- The Board has sound knowledge and understanding of the Group's business and challenges as well as the industry in which the Group operates and is able to chart strategic directions for the Group.

	The NC was satisfied with its existing number and composition and is of the view that, with the current mix of skills, knowledge, experience and strength, the Board as a whole is able to discharge its duties effectively.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board had, on 14 February 2020, approved the Director Remuneration Policy. The policy is available at the Company's website at www.luxchem.com.my</p> <p>The Board determines the level of remuneration of its Directors which enables the Group to attract, retain and motivate Directors with relevant experience and expertise needed after considering the recommendations of the Remuneration Committee to assist in managing the Group effectively.</p> <p>All Executive Directors are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board. Directors do not participate in decisions regarding their own remuneration packages.</p> <p>The Board is remunerated in accordance with the respective qualifications, experience and contribution to the Group.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Application	:	Applied						
Explanation on application of the practice	:	<p>The RC is responsible for reviewing and recommending to the Board, the remuneration of the Executive Directors and Senior Management. Determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman, should be determined by the Board of Directors as a whole and the individuals concerned should abstain from discussion their own remuneration.</p> <p>The RC has a written Terms of Reference which deals with its authority and duties and it can be found in the Board Charter on the Company's website at www.luxchem.com.my</p> <p>It is the procedure of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and / or special skills and expertise they bring to the Board.</p> <p>The members of the RC for FY 2020 are as follows:</p> <table border="1"><thead><tr><th>Former RC (From 1 January 2020 to 13 March 2020)</th><th>Current RC (From 13 March 2020 to 31 December 2020)</th></tr></thead><tbody><tr><td><u>Chairman</u> Dato' Haji Mokhtar Bin Haji Samad</td><td><u>Chairman</u> Datuk Kwan Foh Kwai</td></tr><tr><td><u>Member</u> Mr Au Chun Choong</td><td><u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Mr Tan Teck Kiong</td></tr></tbody></table>	Former RC (From 1 January 2020 to 13 March 2020)	Current RC (From 13 March 2020 to 31 December 2020)	<u>Chairman</u> Dato' Haji Mokhtar Bin Haji Samad	<u>Chairman</u> Datuk Kwan Foh Kwai	<u>Member</u> Mr Au Chun Choong	<u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Mr Tan Teck Kiong
Former RC (From 1 January 2020 to 13 March 2020)	Current RC (From 13 March 2020 to 31 December 2020)							
<u>Chairman</u> Dato' Haji Mokhtar Bin Haji Samad	<u>Chairman</u> Datuk Kwan Foh Kwai							
<u>Member</u> Mr Au Chun Choong	<u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Mr Tan Teck Kiong							

	<p>The RC meets at least once in a year with additional meetings to be convened, if necessary. For FY 2020, the RC had met once on 14 February 2020 to review and assess the remuneration package of the Board members and Senior Management, taking into consideration the skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-Executive Directors and the contribution of each individual Director.</p> <p>The Board believes that the existing remuneration practices and processes are sufficient and producing desired and positive result.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application :	Applied						
Explanation on application of the practice :	The aggregate remuneration paid or payable to all Directors of the Company during the FY 2020 is listed on named basis with the detailed remuneration breakdown as follows:						
	Remuneration Breakdown						
	Directors	Fee	Salary & Other Emoluments	Bonus	Benefit-In-Kind	EPF & SOCSO & EIS	Total
		RM	RM	RM	RM	RM	RM
	<u>Executive Directors</u>						
	Mr Tang Ying See	-	886,462	576,000	28,000	176,273	1,666,734
	Madam Chin Song Mooi	-	154,754	12,500	-	20,525	187,779
	Madam Chen Moi Kew	10,000	416,692	209,016	17,400	77,376	730,485
	<u>Non-Executive Directors</u>						
	Dato' Haji Mokhtar Bin Haji Samad [^]	6,383	3,000	-	-	-	9,383
	Mr Chan Wan Siew [^]	6,383	3,000	-	-	384	9,767
	Mr Au Chun Choong [^]	6,383	3,000	-	-	768	10,151
	Datuk Kwan Foh Kwai [#]	28,115	2,000	-	-	-	30,115
	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali [#]	28,115	2,000	-	-	-	30,115
	Mr Tan Teck Kiong [#]	28,115	2,000	-	-	-	30,115
	<p>* Fees for Executive Director is paid by subsidiary company and subject to the approval by shareholders at the 29th AGM.</p> <p>** Subject to the approval by shareholders at the 29th AGM.</p> <p>[^] The Directors had resigned from the Board on 13 March 2020.</p> <p>[#] The Directors were appointed to the Board on 13 March 2020.</p>						
Explanation for departure :							

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>While the Independent Directors and Executive Directors' remuneration are disclosed under Practice 7.1, the Board is of the view that remuneration disclosure of the other Executive Directors (at the subsidiary level) and Senior Management would have an adverse effect on the Company's overall talent retention in this highly competitive industry.</p> <p>While the Independent Directors are being evaluated and their remuneration package is being reviewed through the decisions of RC, all the other Executive Directors (at the subsidiary level) and Senior Management of the Group are being measured, evaluated and rewarded yearly according to the market competitiveness, level of contributions and business / individual performance achieved for the year.</p> <p>The full details of remuneration packages of the other Executive Directors (at the subsidiary level) and Senior Management are also reviewed by the Board / RC annually for discussion and action, if necessary.</p> <p>The Board believes that the existing remuneration related policies, practices and processes are sufficient and produced the desired and positive result. Based on the years of service of the other Executive Directors (at the subsidiary level) and Senior Management, the average years of service is 16 years ranging from minimum nine years to maximum 30 years.</p> <p>The Board is of the opinion that the disclosure on a named basis for the Senior Management would not be in the best interest of the Group due to confidentiality concerns.</p>

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.3 - Step Up

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied	
Explanation on application of the practice	:	For FY 2020, the ARMC comprises of three Independent Non-Executive Directors. The former and current ARMC members are:	
		Former ARMC (From 1 January 2021 to 13 March 2020)	Current ARMC (From 13 March 2020 to 31 December 2020)
		Chairman - Mr Au Chun Choong	Chairman - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali
		Member - Dato' Haji Mokhtar Bin Haji Samad	Member - Datuk Kwan Foh Kwai
		Member - Mr Chan Wan Siew	Member - Mr Tan Teck Kiong
		Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, the current ARMC Chairman, is not the Chairman of the Board. This is to ensure overall effectiveness and independence of the ARMC from the Board.	
		He is a member of the Malaysian Institute of Accountants, a Fellow of the Association Chartered Certified Accountants (UK), Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants.	
		With an independent ARMC, there is an objective and independent review of among others, the financial reporting process, related party transactions and conflict of interests' situation that may arise within the Company or Group and any transaction, procedure or course of conduct that raises questions of management integrity.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	<p>There is no former key audit partner being appointed as a member of the ARMC.</p> <p>Any former key audit partner shall observe a cooling off period of at least two years before being appointed as a member of ARMC pursuant to the Terms of Reference of the ARMC.</p> <p>The ARMC is effective and independent, therefore, providing assurance to stakeholders of the accuracy in the disclosure of financial information.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	:	Applied
Explanation on application of the practice	:	<p>The ARMC is responsible to evaluate the performance and independence of External Auditors as set out in the Terms of Reference of ARMC in the Board Charter which is published on the Company's website at www.luxchem.com.my</p> <p>The ARMC has evaluated the performance of the External Auditors, Messrs BDO PLT, including assessment of the following during the FY 2020:</p> <ul style="list-style-type: none">a) tenure;b) independence and objectivity;c) technical competency, audit quality and adequacy of resources; andd) nature and extent of non-audit services rendered and appropriateness of their level of non-audit fees. <p>As part of the review process, the ARMC has sought and reviewed the Management's comments and feedback on the performance of the External Auditors.</p> <p>The ARMC conducted a private session with the External Auditors on 14 February 2020, without the presence of the Executive Directors and the Management. This review process ensures that critical issues, if any, are objectively brought up to the attention of the ARMC.</p> <p>For further details, please refer to the ARMC Report, included in the Annual Report 2020.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.
The company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted								
Explanation on adoption of the practice	:	Despite the changes to the composition of the ARMC on 13 March 2020, the ARMC still comprises three Independent Directors as follows: <table border="1"><thead><tr><th>Former ARMC (From 1 January 2020 to 13 March 2020)</th><th>Current ARMC (From 13 March 2020 to 31 December 2020)</th></tr></thead><tbody><tr><td>Chairman - Mr Au Chun Choong</td><td>Chairman - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td></tr><tr><td>Member - Dato' Haji Mokhtar Bin Haji Samad</td><td>Member - Datuk Kwan Foh Kwai</td></tr><tr><td>Member - Mr Chan Wan Siew</td><td>Member - Mr Tan Teck Kiong</td></tr></tbody></table>	Former ARMC (From 1 January 2020 to 13 March 2020)	Current ARMC (From 13 March 2020 to 31 December 2020)	Chairman - Mr Au Chun Choong	Chairman - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Member - Dato' Haji Mokhtar Bin Haji Samad	Member - Datuk Kwan Foh Kwai	Member - Mr Chan Wan Siew	Member - Mr Tan Teck Kiong
Former ARMC (From 1 January 2020 to 13 March 2020)	Current ARMC (From 13 March 2020 to 31 December 2020)									
Chairman - Mr Au Chun Choong	Chairman - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali									
Member - Dato' Haji Mokhtar Bin Haji Samad	Member - Datuk Kwan Foh Kwai									
Member - Mr Chan Wan Siew	Member - Mr Tan Teck Kiong									

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The former ARMC Chairman, Mr Au Chun Choong, was not the Chairman of the Board and both Mr Au Chun Choong and Mr Chan Wan Siew are fellow members of the Association of Chartered Certified Accountants. Mr Au Chun Choong is also a member of the Malaysian Institute of Accountants.</p> <p>During the FY 2020, the ARMC members had attended trainings and seminar to keep abreast with development in accounting, auditing standards and financial reporting disclosures.</p> <p>The new ARMC members namely, Datuk Kwan Foh Kwai, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali and Mr Tan Teck Kiong, were appointed as Independent Non-Executive Directors on 13 March 2020. Based on the evaluation by the former NC, the new Independent Directors are able to contribute, complement and improve the dynamism of the Board structure, with their vast experiences from the legal, finance and engineering professions.</p> <p>The new Chairman of ARMC, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, is a member of the Malaysian Institute of Accountants, a Fellow of the Association Chartered Certified Accountants (UK), a Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Master in Business Administration (MBA) from the University of Leicester, England and MSc in International Business Administration from School of Oriental and African Studies, University of London, England. He also has more than 30 years of professional experience including being a partner of Deloitte, one of the Big Four accounting firms.</p> <p>Based on his experience, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali is suitable to head the ARMC.</p>

	<p>Datuk Kwan Foh Kwai and Mr Tan Teck Kiong are both the new members of ARMC. They have experience, in the past and current, in leading the Board of listed companies and financially literate in reviewing financial reporting processes and ARMC related matters.</p> <p>All the members of the ARMC have vast experience and skills in accounting and finance as well as other fields of expertise, and are qualified to review the accuracy of the Group's financial statements prior to recommending the same to the Board for approval.</p> <p>Collectively, the ARMC possesses a wide range of necessary skills to discharge its duties. In order to strengthen the present financial literacy of each member and the ability to understand matters under the purview of the ARMC, including the financial reporting process, all members of the ARMC will undertake continuous professional development programmes on accounting and auditing standards, practices and rules.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its overall responsibility for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems, identifying principal risks and establishing an appropriate control environment and framework to manage risk to safeguard shareholders' interests and the Group's assets.</p> <p>The Board had established a Risk Management and Internal Control framework in 2018 under which, all the risk elements in all the business segments and operation areas are identified, evaluated, actioned and monitored systematically on annual basis. During the FY 2020, the risk elements identified were reviewed, re-evaluated and monitored.</p> <p>The Group's Risk Management and Internal Control process involves Heads of Subsidiaries / Divisions / Departments / Branches identifying risk elements in the respective companies / functions, evaluating risk tolerance, initiating necessary actions for managing the risks as well as reviewing and updating the risk areas on a yearly basis. All the risk management actions are recorded in the Risk Register which would be reviewed, discussed and assessed by the Board for its adequacy and effectiveness in the meeting. During the FY 2020, the Group also identified new risk element relating to the outbreak of COVID-19 pandemic.</p> <p>Further details on the key elements of the Group's risk management and internal control systems are available in the Statement on Risk Management and Internal Control, included in the Annual Report 2020.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	

Timeframe	:		
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Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board acknowledges its responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems; identifying the principal risks in the Group; and establishing appropriate control environment and framework to manage risks.</p> <p>Key elements of the Group's risk management and internal control systems have been established to facilitate the proper conduct of the Group's businesses.</p> <p>The Board is committed to maintain a strong control structure to facilitate the achievement of the Group's business objectives. Internal controls have been designed to provide reasonable assurance that the likelihood of significant adverse impact on business objectives arising from an event is at acceptable level to the Group.</p> <p>The Board has received assurance from the MD/CEO and ED/CFO that, to the best of their knowledge, the Group's risk management and internal control systems are operating adequately and effectively, in all material respects during the financial year under review and up to the date of issuance of this Statement.</p> <p>Further details on the features of Group's risk management and internal control framework and the Board's responsibilities for reviewing the adequacy and effectiveness of the framework are provided in Statement on Risk Management and Internal Control, included in the Annual Report 2020.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

Measure	:		
Timeframe	:		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

Application	:	Not Adopted								
Explanation on adoption of the practice	:	<p>On 30 April 2019, the Board approved the audit and risk management functions be combined and renamed as Audit and Risk Management Committee ("ARMC") and lead by three experienced Independent Directors. In FY 2020, three new ARMC members are appointed in replacement of three resigned Independent Directors from the Board and Board Committees. The former and current ARMC are as follows:</p> <table border="1"><thead><tr><th>Former ARMC (From 1 January 2020 to 13 March 2020)</th><th>Current ARMC (From 13 March 2020 to 31 December 2020)</th></tr></thead><tbody><tr><td>Chairman - Mr Au Chun Choong</td><td>Chairman - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td></tr><tr><td>Member - Dato' Haji Mokhtar Bin Haji Samad</td><td>Member - Datuk Kwan Foh Kwai</td></tr><tr><td>Member - Mr Chan Wan Siew</td><td>Member - Mr Tan Teck Kiong</td></tr></tbody></table> <p>The ARMC is entirely comprised of Independent Directors and apart from overseeing the Group's audit functions, the Independent Directors, who are suitably qualified and experienced, are also overseeing the Risk Management functions of the Group. To reflect such changes, the Terms of Reference of ARMC, which is available at www.luxchem.com.my, has been revised to include, inter alia, financial reporting, external audit, internal audit and Risk Management.</p> <p>The three Independent Directors are not involved in the management and operations of the Group in any way. This will assure their independent, fair and proper assessment in overseeing all the matters of audit and risk management.</p> <p>The Risk Management Committee of the Group is established in 2018 when the Group implemented Enterprise Risk Management on the same year and by default, all the Heads of Subsidiaries, Heads of Divisions / Departments of the Group are the members of Risk Management Committee. The Enterprise Risk Management system includes Risk Management Register that requires yearly review by respective Heads for assessment on the risk elements, the tolerance level and actions necessary to manage / address the risks in the</p>	Former ARMC (From 1 January 2020 to 13 March 2020)	Current ARMC (From 13 March 2020 to 31 December 2020)	Chairman - Mr Au Chun Choong	Chairman - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Member - Dato' Haji Mokhtar Bin Haji Samad	Member - Datuk Kwan Foh Kwai	Member - Mr Chan Wan Siew	Member - Mr Tan Teck Kiong
Former ARMC (From 1 January 2020 to 13 March 2020)	Current ARMC (From 13 March 2020 to 31 December 2020)									
Chairman - Mr Au Chun Choong	Chairman - Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali									
Member - Dato' Haji Mokhtar Bin Haji Samad	Member - Datuk Kwan Foh Kwai									
Member - Mr Chan Wan Siew	Member - Mr Tan Teck Kiong									

	<p>respective functions of the Heads. The review of the risk elements in the Risk Register is conducted yearly for year 2019 and 2020 respectively. The reviewed and updated Risk Register for the year 2020 was presented to all the Board members on 29 July 2020.</p>
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Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group outsourced its Internal Audit Function to a professional internal audit service provider, Crowe Governance Sdn Bhd to assist the ARMC and the Board in providing an independent assessment and objective assurance on the internal control systems of the Group.</p> <p>The Internal Audit Function reports directly to the ARMC in respect of its appraisal of the Group's internal control systems. For the FY 2020, the internal audit plan, processes, performance evaluation and budget were reviewed and approved by the ARMC during the year.</p> <p>The ARMC was satisfied that the internal auditors met the competency required and expected for the independent audits.</p> <p>The internal audits were performed in accordance with the International Professional Practice Framework issued by The Institute of Internal Auditors Malaysia for FY 2020.</p> <p>The internal auditors were given sufficient resources and access to confidential information necessary to enable them to carry out their audits effectively and efficiently.</p> <p>The internal audit reports were presented to the ARMC on a quarterly basis. The internal auditors would review the audit findings and action plans taken by the Management to address the issues raised in the internal audit reports. The ARMC also updated the Board on the outcome of the above internal audit reports.</p> <p>Stakeholders are provided with information to assess the effectiveness of the Company's Internal Audit function, from the summary of works described in the ARMC Report as included in the Annual Report 2020.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group has outsourced its internal audit function to an independent professional internal audit service provider, i.e. Crowe Governance Sdn. Bhd. (“CGSB”). The Internal Auditors conduct their assessment and provide independent and objective assurance to the ARMC and the Board on the adequacy and effectiveness of the risk management and internal control systems of the Group.</p> <p>All the internal audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence. All employees in the firm are required to complete the Independence Declaration Form on an annual basis. In addition, all the internal audit personnel involved are required to acknowledge on the Employee Professional Conduct and Ethics Declaration on assignment basis. The internal audit department of CGSB is led by Mr Amos Law and consists of 22 permanent internal audit personnel and 1 admin personnel. The qualification of Mr Amos Law is as follows:</p> <p style="margin-left: 40px;">Name : Amos Law, Executive Director Professional Qualification : Certified Internal Auditor (“CIA”), Chartered Institute of Internal Auditors (“CMIA”) and Certification in Risk Management Assurance (“CRMA”)</p> <p>All the internal audit functions were carried out in accordance with International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia.</p> <p>The Internal Auditors report directly to the ARMC on the outcome of its appraisal of the Group’s risk management activities which includes its internal control systems. The Internal Auditors organised their work in accordance to the principles of the internal auditing standards covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders on audit concerns.</p>

	<p>The internal audit plan was reviewed and approved by the ARMC. The internal audit reports were presented to the ARMC on a regular basis. The ARMC will review the audit findings and action plans taken by the Management to address the audit findings and issues before reporting to the Board. The Internal Auditors also follow up on the Management implementation of all the audit recommendations and ascertain the status of implementation thereof for improvement on the systems of internal control.</p> <p>The Internal Auditors attended five (5) ARMC meetings during the FY 2020 and conducted their reviews for the following entities and their respective key audit areas:</p> <ul style="list-style-type: none"> i. Latex Division of Luxchem Trading Sdn Bhd on Sales, Billing, Collection & Credit Control, Procurement, Payment and Inventory Management; ii. Luxchem Trading Sdn Bhd (Penang Branch) on Sales, Billing, Collection & Credit Control, Procurement, Payment and Inventory Management; and iii. Information Technology Strategy Review of Luxchem Corporation Berhad. <p>The Internal Auditors had reported their findings and reviews to ARMC and all the reviews were adequate and met the ARMC's expectations.</p> <p>The fee for the internal audit function for FY 2020 was RM84,000 (2019: RM80,000).</p> <p>The Board was satisfied that the Internal Auditors are free from any conflicts of interest with the Group, appropriately resourced and qualified for the Internal Audit services and carried out the audit within the established framework.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied															
Explanation on application of the practice	:	<p>The Board believes that stakeholders engagement is the basis for good corporate governance and important for our business economic sustainability. One of our key stakeholders is our shareholders.</p> <p>At our AGM held on 30 July 2020, all shareholders were invited to raise questions to the members of the Board.</p> <p>The Board provided clear explanation to address all the shareholders' questions. Shareholders' needs and expectations were evaluated and appropriately considered.</p> <p>Thereafter, minutes of the AGM were uploaded to the corporate website pursuant to Paragraph 9.21(2)(b) of the MMLR.</p> <p>The Company had provided a general email address to all its shareholders to send in their queries. All email queries were reviewed and promptly attended to by the Executive Director / Chief Financial Officer or authorised personnel.</p> <p>The Company recognises the importance of providing timely and accurate information to its shareholders. Therefore, the Company had announced its results ahead of the deadline set by Bursa Securities. Except for 1st Quarter 2020, the Company released its 2nd and 3rd quarter results to shareholders within 30 days from the quarter closing.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Quarter Result</th> <th style="width: 20%;">Bursa Deadline</th> <th style="width: 20%;">Announcement Date</th> <th style="width: 45%;">Remarks</th> </tr> </thead> <tbody> <tr> <td>Q1'20</td> <td>30 June 2020</td> <td>12 June 2020</td> <td>Bursa deadline was extended from 31 May 20 to 30 June 20 due to COVID-19 pandemic.</td> </tr> <tr> <td>Q2'20</td> <td>31 August 2020</td> <td>29 July 2020</td> <td rowspan="2">Released quarter results within 30 days from quarter closing.</td> </tr> <tr> <td>Q3'20</td> <td>30 November 2020</td> <td>27 October 2020</td> </tr> </tbody> </table>	Quarter Result	Bursa Deadline	Announcement Date	Remarks	Q1'20	30 June 2020	12 June 2020	Bursa deadline was extended from 31 May 20 to 30 June 20 due to COVID-19 pandemic.	Q2'20	31 August 2020	29 July 2020	Released quarter results within 30 days from quarter closing.	Q3'20	30 November 2020	27 October 2020
Quarter Result	Bursa Deadline	Announcement Date	Remarks														
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Q2'20	31 August 2020	29 July 2020	Released quarter results within 30 days from quarter closing.														
Q3'20	30 November 2020	27 October 2020															

	<p>Due to COVID-19 pandemic, the Company did not meet analysts to update the Group's performance in FY2020. However, the Company replied to queries from analysts by emails.</p> <p>With these on-going communications, stakeholders were kept informed of the Company's performance and have continued to support the Company, as evidenced by stability in the Company's share price.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Company is not a large company as defined under the Malaysian Code on Corporate Governance.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	<p>The Notice of AGM had included detailed explanatory notes and background information on the proposed resolutions, where applicable, to enable shareholders to make informed decisions regarding the business agenda of the AGM.</p> <p>Due to the imposition of Movement Control Movement by the Government of Malaysia on 18 March 2020, the AGM of the Company was subsequently postponed to 30 July 2020 following the guidelines issued by Bursa, Securities Commission Malaysia and National Security Council respectively.</p> <p>The Notice of Twenty-Eighth AGM was sent to the shareholders on 1 July 2020 through emails and newspaper advertisement, which was set at least 28 days' notice prior to the date of the AGM on 30 July 2020. In addition to sending the Notice of AGM, the Company also published the Notice of AGM on its website, released to the public via Bursa LINK and advertised in a local newspaper.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	:	Applied	
Explanation on application of the practice	:	<p>All Directors attended the AGM held on 30 July 2020. All shareholders' questions were responded accordingly by the relevant members of the Board.</p> <p>The dates of AGM, Board meetings and Board Committees' meetings for each financial year were fixed in advance to ensure that all Directors / Board Committees members would be able to attend the meetings.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied
Explanation on application of the practice	:	<p>The Constitution of the Company allows electronic voting and remote shareholders participation. The Company had implemented electronic voting during AGM held on 30 July 2020.</p> <p>Remote shareholders participation was not adopted by the Company as the Company's AGM was held at the Connexion Conference & Event Centre @ Nexus, Bangsar South City, Kuala Lumpur and the venue was easily accessible by shareholders.</p> <p>Nevertheless, the company strongly encourages participation of shareholders in AGM and would take into consideration of meetings locations which are easily accessible by shareholders during selection of AGM venues.</p> <p>Shareholders who were unable to attend the AGM could appoint any persons as their proxies to attend, participate, speak and vote on their behalf at the AGM.</p> <p>Shareholders can also submit questions or queries prior to the AGM.</p>
Explanation for departure	:	Please provide an explanation for the departure.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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