

REMUNERATION POLICY

Luxchem Corporation Berhad

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1. INTRODUCTION

This Remuneration Policy (“Policy”) is designed with the objective to support the Group’s interest, vision and mission by proposing, reviewing, revising remuneration packages of the Independent Non-Executive Directors (“INEDs”), the Executive Directors (“EDs”) and the Key Senior Managements (“KSMs”).

2. THE PRINCIPLES

Board of Directors, INEDs, EDs and KSMs’ responsibilities and fiduciary duties are one of the success factors to the Group’s vision, mission, business and operations. As such, a fair, competitive and incentivising remuneration packages shall be in place to attract, retain, motivate and reward them.

In reviewing and approving the remuneration packages, the complexities, demands and performance (measurables or non-measurables) of the job as well as skills and experience required for the job should be considered.

Where applicable, the remuneration packages shall be competitive to the relevant market and industry.

3. SCOPE

This policy applies to Luxchem Group of Companies as defined in Clause 4.1 under Definitions and INEDs, EDs, KSMs as defined in Clause 4.2, 4.3 and 4.4 under Definitions.

4. DEFINITIONS

4.1 “Luxchem Group” or “The Group” refers to all the companies under Luxchem Corporation Berhad (“LCB”) which are active in their business within or outside of Malaysia. The active companies, at the time of establishing this policy, are:

- a. Luxchem Trading Sdn. Bhd. (“LTSB”); and
- b. Luxchem Polymer Industries Sdn. Bhd. (“LPI”); and
- c. Transform Master Sdn. Bhd. (“TMSB”); and
- d. PT Luxchem Indonesia (“PTLI”).

4.2 “Independent Non-Executive Directors” are directors who are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Group.

- 4.3 “Executive Directors” are senior operating officers of the Group of which the typically roles and responsibilities involve the strategic planning, working with the Board of Directors (“BOD”), steering, managing and involving in the day-to-day management of the Group and also a member of LCB’s BOD. EDs are also responsible in carrying our BOD’s decisions and employed by the Group.
- 4.4 “Key Senior Managements” refers to employees who are generally hold the higher level of management responsibility and decision-making authority within the Group besides EDs. Typical KSMs positions in the Group are Divisional Heads and Subsidiary Heads. KSMs can also be appointed as EDs of the subsidiaries.
- 4.5 “Remuneration Committee” (“RC”) is guided by its Terms of Reference approved by the Board which determines remuneration practices with the aim of attracting, motivating and retaining high calibre EDs, INEDs and KSMs to deliver value for the Company and its shareholders. RC is the Committee appointed by the BOD which comprise wholly of INEDs. The Terms of Reference of RC is available in the Group’s Board Charter which can be downloaded from www.luxchem.com.my.

5. REMUNERATION POLICY & PROCEDURES

The policy and procedures are described below:

5.1 Independent Non-Executive Directors

INEDs generally receive remuneration in the form of director fee, meeting allowance, statutory benefits and benefits-in-kind such as Employee’s Share Option Scheme (“ESOS”) (if any), from the Group as compensation for their services.

INEDs’ roles and responsibilities are independent and free of conflict from the management and operations of LCB. They are advising and consulting the Board of LCB in terms of strategic direction, corporate compliance and governance matters. The roles and responsibilities are defined clearly and published in the Board Charter.

The level of remuneration for INEDs shall reflect the experience and level of responsibilities undertaken by the INEDs and not based on commission or the percentage of profit or turnover.

The remuneration packages of INEDs, including the remuneration package of newly appointed INEDs, are to be reviewed and recommended by RC annually and subsequently to be approved by the BOD.

INEDs’ performance and suitability will be assessed and evaluated by the peers on annual basis. The process of evaluation will be carried out by our outsourced company secretary and the summary of the result will be tabulated in the Nominating Committee (“NC”) annually.

When reviewing, recommending and approving INEDs' remuneration package, the respective INED shall be abstained from the decision-making process.

Where applicable, Directors' fees and benefits of INEDs are recommended by the Board for approval by shareholders at the Company's Annual General Meeting ("AGM"). Directors' fees shall be paid upon receipt of such shareholders' approval.

5.2 Executive Directors of LCB

Being involved in the BOD of LCB, EDs are also the employees of the Group. Their remuneration packages are generally in the forms of salaries, bonuses, and benefits-in-kinds such as ESOS (if any), director fee and etc.

The overall remuneration packages for EDs shall link reward to individual and corporate performance. Their remuneration packages:

- reflect the experience, qualification, demand for the job;
- reflect the package competitiveness to the relevant market and industry; and
- reflect the financial or productivity contribution of the EDs for the year.

EDs perform BOD duties as well as work duties as employees in the Group. The roles and responsibilities are defined as well as published in the Board Charter. In addition, they perform roles and responsibilities in the Group specifically related to their expertise and credentials.

When reviewing the remuneration packages of EDs, the financial and productivity performance of the Company is always compared with the results produced by the EDs. The greater and significant the outputs, the better the reward to be accorded to EDs. The yearly performance of the EDs will be evaluated by Managing Director/ Chief Executive Officer of the Group through the year-end appraisal. The EDs who are in the BOD of LCB are also subject to yearly peer evaluation.

When reviewing, recommending and approving EDs' remuneration package, the respective ED will not be participated in the decision-making process except for the Managing Director / Chief Executive Officer who is also an ED of LCB.

The remuneration packages of all the EDs are subjected to review and recommendation by RC on annual basis. The remuneration packages of EDs will require approval of BOD.

Where applicable, Directors' fees and benefits of EDs are recommended by the Board for approval by shareholders at the Company' AGM. Directors' fees shall be paid upon receipt of such shareholders' approval.

5.3 Key Senior Management

KSMs are the employees of the Group and they are also appointed to be the BOD of the subsidiary. Their remuneration packages are generally in the forms of salaries, bonuses, and benefits-in-kind such as ESOS (If any), director fee and etc.

The overall remuneration packages for KSMs link reward to individual and corporate performance. The remuneration packages:

- reflect the experience, qualification, demand for the job;
- reflect the package competitiveness to the relevant market and industry; and
- reflect the financial or productivity contribution of the EDs for the year.

When reviewing the remuneration packages of KSMs, the financial and productivity performance of the Company is always compared with the results produced by the KSMs. The greater and significant the output, the better the reward to be accorded.

When reviewing, recommending and approving KSM's remuneration package, the respective KSM will not be participated in the decision-making process except for the Managing Director/ Chief Executive Officer who is also an ED of LCB.

The remuneration packages of all the KSMs are subjected to review and recommendation by RC on annual basis. The remuneration packages of EDs are required approval of BOD.

Directors' fees of KSMs are not subject to shareholders' approval at the Company's AGM.

The table below summarises the salient points of remuneration policy and procedures of INEDs, EDs and KSMs:

	INED	ED	KSM
Independent from the management and operations of the Group. Not employed or reporting to the Group.	✓	×	×
Report to LCB's BOD and / or part of the LCB's BOD.	×	✓	×
Report to ED including Managing Director/ Chief Executive Officer of the Group.	×	×	✓
Appointment to be recommended by Nominating Committee and approval by LCB's BOD.	✓	×	×
Appointment to be approved by Managing Director of the Group and processed through the Group's recruitment procedures.	×	✓	✓
Receive Director fee from LCB and require shareholders' Approval.	✓	✓	×
Receive Director fee from LCB's subsidiaries and require no approval from shareholders.	×	×	✓
Subject to Annual Peer Evaluation	✓	✓	×
Subject to the Group yearly year-end performance appraisal process. Exception: Managing Director/ Chief	×	✓	✓

Executive Officer does not require to be evaluated in the year-end appraisal.			
Receive monthly salary, allowance and staff benefit by virtual of appointment as employee of the Group	x	✓	✓
Remuneration packages to be reviewed and approved by LCB's BOD	x	✓	✓

6. POLICY REVIEW

The RC shall review and amend this policy periodically or as and when required and recommendation be made to the Board for approval on any revision.

This policy is read, reviewed and approved by the Board of LCB on 14 February 2020.

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