

REMUNERATION POLICY

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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” or “INED” in singular form), the Executive Directors (“EDs” or “ED” in singular form) and the Key Senior Managements (“KSMs” or “KSM” in singular form).

2. THE PRINCIPLES

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

In reviewing and approving the remuneration package, the complexity, demand and performance (Both measurable and non-measurable) of the job as well as skills and experience required for the job should be considered.

Where applicable, the remuneration package 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 INED, ED, KSM as defined in Clause 4.2, 4.3 and 4.4 under Definitions.

4. DEFINITIONS

- 4.1 “The Group” refers to all the companies under Luxchem Corporation Berhad (“LCB”).
- 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”, which include the Managing Director / Chief Executive Officer, Chief Financial Officer are senior operating officers of the Group of which the 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 the BOD’s decisions and employed by the Group.

- 4.4 “Key Senior Managements” refers to employees who are holding the higher level of management responsibility and decision-making authority within the Group besides EDs. The positions of KSM in the Group are such as Chief Operating Officer, Division Heads and / or Subsidiary Heads.
- 4.5 “Remuneration Committee” (“RC”) is guided by its Terms of Reference approved by the Board. The RC determines remuneration practices with the aim of attracting, motivating and retaining high calibre ED, INED and KSM to deliver value for the Group shareholders and stakeholders. RC is the Committee appointed by the BOD which comprise entirely 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 directors’ fees, meeting allowances and benefits in kind such as Employee’s Share Option Scheme (“ESOS”) (if any) from the Group as remuneration for their services.

INEDs’ roles and responsibilities are independent and free of conflict from the management and operations of LCB. They advise and consult BOD 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 remuneration for INEDs shall reflect the experience and the level of responsibilities undertaken by the INEDs and not based on commission or the percentage of profit or turnover.

The remuneration package of INED, including the new appointment, is 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 and discussed in the Nominating Committee (“NC”) annually.

In line with Malaysian Code of Corporate Governance (“MCCG”), INEDs will be evaluated annually for their involvement and leadership in sustainability direction of the Group.

Where applicable, Directors’ fees and benefits of INEDs are recommended by BOD for approval by shareholders at the Company’s Annual General Meeting (“AGM”). Directors’ fees shall be paid upon shareholders’ approval.

5.2 Executive Directors of LCB

Being involved in the BOD of LCB, EDs are also the employees of the Group. The remuneration package consists of salary, bonuses, benefits in kind such as ESOS (if any), director's fees and etc.

The overall remuneration package for ED shall link reward to individual and company performance. The remuneration package:

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

EDs perform BOD duties as well as work duties as employees in the Group. The roles and responsibilities are defined in the Board Charter (published in www.luxchem.com.my) and / or in the job description. In addition, they perform roles and responsibilities in the Group specifically related to their expertise and credentials.

When reviewing the remuneration package of ED, the financial and productivity performance of the Company is always measured with the results produced by the ED. The greater and significant the outputs, the higher the reward to be accorded to ED. In line with MCCG, EDs will be evaluated on their contribution in driving the sustainability efforts and activities in the Group. The 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 ED's remuneration package, ED will not participate in the decision-making process.

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

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

5.3 Key Senior Management

KSMs are the employees of the Group. The remuneration package consists of salaries, bonuses, benefits in kind such as ESOS (if any), directors' fees and etc.

The overall remuneration package for KSM link reward to individual and company performance. The remuneration package:

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

When reviewing the remuneration package of KSM, the financial and productivity performance of the Company is always measured with the results produced by the KSM. Where applicable, KSMs will also be evaluated on their sustainability management in their respective areas of responsibilities. The greater and significant the outputs, the higher the reward to be accorded.

When reviewing, recommending and approving KSM's remuneration package, KSM will not participate in the decision-making process.

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

Directors' fees of KSMs are not subject to shareholders' approval.

6. POLICY REVIEW

The RC shall review this policy annually to assess the effectiveness and relevance. Any revisions to the policy will be submitted to BOD for consideration and approval.

This policy is read, reviewed and approved by BOD of LCB on 28 July 2022.

Version 1 – 07/2020

Version 2 – Minor amendment 03/2021

Version 3 – Sustainability evaluation 07/2022

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