

Remuneration Policy and Procedures

APPENDIX I

INTRODUCTION

1.1 Purpose

1.1.1 This Remuneration Policy and Procedures is the guiding document ("Document") for the Board of Directors ("Board") and the Remuneration Committee of **KUMPULAN H & L HIGH-TECH BHD** ("HLHT" or the "Company") to determine the remuneration of Directors and Senior Management, taking into account the demands, complexities and performance of the Company as well as skills and experience required.

1.1.2 This Document seeks to set out an overarching framework for the development and administration of a fair and transparent framework for the remuneration of Directors and Senior Management of HLHT.

1.2 Scope and application

1.2.1 This Document should be read together with the relevant enumerations encapsulated in the following legislations:

- (a) Companies Act 2016;
- (b) Capital Markets and Services Act 2007 (Amendment 2012); and
- (c) Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements").

1.2.2 Where there is a conflict between the contents of this Document and the aforementioned legislations, the relevant enumerations contained in the said legislations shall prevail.

1.2.3 This Document is also developed in alignment with the Malaysian Code on Corporate Governance ("MCCG"). Where paragraphs in this Document make reference to provisions in legislations or other corporate governance promulgations (e.g. MCCG), they are indicated accordingly in italics.

1.2.4 This Document will be reviewed periodically by the Remuneration Committee and be made available on the Company's website.

1.3 Definition and interpretation

1.3.1 Executive Director - A Director who assumes management responsibilities in HLHT.

1.3.2 Independent Director - A Director who is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of an applicant or a listed issuer. The Director fulfils the independence criteria set out in paragraph 1.01 of Listing Requirements.

1.3.3 Major shareholder - A person who has an interest in 10% or more of the total number of voting shares in the HLHT; or 5% or more of the total number of voting shares in HLHT where such person is the largest shareholder of HLHT.

1.3.4 Senior Management - C-suite members and General Managers or equivalent.

1.3.5 Remuneration – All forms of consideration rendered to Directors and Senior Management in exchange for the services. This includes but is not limited to fees, meeting allowances, base salary, bonus and benefits.

1.3.6 Risk appetite – Aggregate level and types of risk HLHT is willing to assume, decided in advance and within its risk capacity, to achieve HLHT's business objectives and strategies.

1.3.7 Share option – A right to buy a certain number of HLHT shares at a predetermined price.

2. REMUNERATION PHILOSOPHY

2.1 The remuneration practices of HLHT are anchored on the following overarching objectives:

- (a) Drive behaviour that is consistent with HLHT's core values (i.e. P- passion, E- excellence, T- teamwork, I- integrity, R- responsible and R- respect);
- (b) Promote symmetric outcomes with the risk appetite of HLHT by encouraging prudent risk taking in decision-making and the undertaking of business activities;
- (c) Deliver a total reward proposition that is affordable yet competitive, fair and justifiably differentiated;
- (d) Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy; and
- (e) Encourage a culture of organisational, team and individual performance and significantly incentivising individuals who deliver sustained performance consistent with strategic goals.

3. REMUNERATION PRINCIPLES

3.1 HLHT is guided by the following principles in remunerating its Directors and Senior Management:

- (a) Fees payable to **Non-Executive Directors** shall be by a fixed sum, and not by a commission on or percentage of profits or turnover (*paragraph 7.23 of Listing Requirements*);
- (b) Salaries payable to **Executive Directors** shall not include a commission on or percentage of turnover (*paragraph 7.23 of Listing Requirements*);
- (c) The maxim "pay for performance" is adopted in remunerating Executive Directors and Senior Management to promote the long-term success of HLHT. Performance is measured based on a holistic balanced scorecard approach comprising both financial and non-financial key performance indicators ("KPIs");
- (d) **Independent Directors** generally shall not be remunerated with shares or stock-options. If exceptionally granted, the quantum granted shall not amount to an extent that it would result in the Independent Director becoming a major shareholder (*paragraph 1.01 of Listing Requirements*);

(e) Share options, if granted to Directors and Senior Management, shall not vest immediately. The vesting period of share options shall reflect the time horizon of risks and take account of the potential for risks to crystallise over a longer period of time;

(f) Bonuses to Executive Directors and Senior Management shall not be guaranteed, except in the context of sign-on bonuses;

(g) Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of HLHT's remuneration packages vis-à-vis other companies. However, such comparisons will be utilised with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary.

4. REMUNERATION STRUCTURE

4.1 The table below summarises the main components that shall form the remuneration packages of Directors and Senior Management of HLHT:

Category- Fixed / Variable	Component	Component description
Fixed	Fees	A fixed retainer sum shall be provided to Non-Executive Directors for their ongoing contribution to the Board.
Fixed	Meeting allowance	A payment shall be made to Non-Executive Directors on a per-meeting basis with a condition that attendance (physical or virtual) is a prerequisite for remittance.
Fixed	Basic Salary	A monthly payment shall be provided to Executive Directors and Senior Management personnel for performing their day job.
Fixed	Benefits	Benefits may be provided to increase the economic security of Directors and Senior Management personnel and as an incentive to attract and retain talent.
Variable	Bonus	A performance based sum (paid via cash, shares or stock options) may be awarded to Executive Directors and Senior Management personnel for attaining or exceeding their assigned KPIs.

4.2 In addition, expenses (e.g. entertainment and travel expenses) incurred by Directors and Senior Management in discharging their duties relating to the ordinary course of HLHT's business activities shall be reimbursed accordingly. All claims reimbursements must be accompanied with the claims receipts and shall be submitted to the Company Secretarial Department (applicable to Non-Executive Directors) and Human Capital and Finance Department (applicable to Executive Directors and Senior Management) for processing on a timely basis.

5. REMUNERATION POLICY AND PROCEDURES

5.1 Policy and procedures for Non-Executive Directors' remuneration

5.1.1 HLHT's remuneration policy for Non-Executive Directors is to develop a remuneration structure that is commensurate with the Non-Executive Directors responsibilities at both the Board and Board Committee level and is sufficient to attract, incentivise and retain quality Non-Executive Directors.

5.1.2 **Non-Executive Directors'** remuneration packages shall be determined on the basis of their qualification, experience and competence, having regard to their responsibilities, time commitment and annual evaluation as undertaken by Remuneration Committee. In this regard, the Chairman of the Board shall be remunerated with a higher retainer fee to reflect the additional responsibilities assumed by him or her. The Chairmen of the respective Board Committees shall also receive higher meeting allowance for chairing the respective meetings and for the additional work undertaken in the agenda setting.

5.1.3 As mentioned in the preceding section, Non-Executive Directors shall be paid via fixed retainer fees, meeting allowances and other benefits. As for meeting allowance, no distinction shall be made between participation in person and participation by video, teleconference or other electronic mode that permits Non-Executive Directors to participate.

5.2 Policy and procedures for Executive Directors and Senior Management remuneration

5.2.1 HLHT's policy for Executive Directors and Senior Management's remuneration is to ensure that the level of remuneration is generally set to provide market competitiveness to attract, retain and motivate Executives of the highest calibre to competently manage the Company.

5.2.2 The component parts of the remuneration shall therefore be structured to link the remuneration package with corporate and individual performance and take into account similar packages at comparable companies (of similar size and complexity to the Company locally; and in the same industry in the region).

5.2.3 The performance of Executive Directors and Senior Management is measured based on the achievements of their annual KPIs (both qualitative and quantitative KPIs). The weightage of the qualitative and quantitative targets may be adjusted to accommodate HLHT's aspirations.

Nature	Examples
Quantitative	Profit Before Tax (PBT), Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) or Return on Invested Capital (ROIC) and relative performance of HLHT.
Qualitative	Strategic milestones and initiatives that need to be achieved and implemented on areas such as strategy, innovation, business development, synergy, human capital management, financial management and societal development.

5.2.4 The evaluation on the achievement of each of the KPIs by Senior Management against an agreed performance standard is reviewed by the Managing Director; whilst for Executive Directors (including Managing Director), it is reviewed by the Remuneration Committee.

The rewards accorded to Executive Directors and Senior Management for their achievement of the respective KPIs shall comprise annual bonus and increment to their base salaries.

6. GOVERNANCE OF REMUNERATION

6.1 Oversight of remuneration

6.1.1 The Remuneration Committee shall assist the Board in implementing its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and Senior Management (*Practice 6.1 of MCCG*).

6.1.2 The Remuneration Committee shall develop and administer a fair and transparent procedure for setting policy on remuneration of Directors and Senior Management so as to ensure that remuneration packages are determined on the basis of the Directors' and Senior Management's merit, qualification and competence, having regard to the Company's operating results, individual performance and comparable market statistics (*Guidance to Practice 6.2 of MCCG*).

6.1.3 The remuneration policy and procedures shall be implemented with input from the control functions and the Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered. In considering the remuneration policy and procedures, the Remuneration Committee may also enlist the expertise of external advisors where necessary.

6.1.4 Executive Directors do not form part of the composition of the Remuneration Committee (*Guidance to Practice 6.2 of MCCG*). As such, Executive Directors play no part in the deliberation or decision-making of their own remuneration matters but may attend the Remuneration Committee meetings at the invitation of the Chairman of the Remuneration Committee, if their presence is required.

6.1.5 The remuneration of Executive Directors and Senior Management is approved by the Board, as a whole, with the individual Executive Director abstaining from discussion of his/her own remuneration.

6.2 Directors and Officers Liability Insurance

6.2.1 Directors are accorded with Directors and Officers Liability Insurance in respect of any liability (civil or criminal) arising in the course of discharging their duties as Directors of HLHT provided that such liabilities were occasioned in good faith and not as a result of negligence, default or breach of duty (*Section 288 of Companies Act 2016*).

6.2.2 The Directors and Officers Liability Insurance premium shall be borne by the Company separately and does not form part of the benefits awarded to Directors as part of their remuneration packages.

6.3 Approval of Directors fees and benefits payable

6.3.1 The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director or former Director of the

Company and its subsidiaries shall be approved at the General Meeting [*Section 230(1) of Companies Act 2016 and paragraph 7.24 of Listing Requirements*].

6.3.2 Approval of Directors fees and benefits payable may be sought in a prospective or retrospective manner. However, payment of Directors' fees shall only be made in arrears either on a progressive (e.g. monthly, quarterly) or lump-sum basis (i.e. year-end).

6.3.3 Directors who are shareholders shall abstain from voting at General Meetings of HLHT to approve their fees (*Guidance to Practice 6.2 of MCCG*)

6.3.4 A general mandate of shareholders shall not be sought for the approval of Directors fees and benefits payable (Item 6 of Employees Provident Fund's Voting Guidelines). The resolution contained in the notice seeking shareholders' approval for Directors' fees and benefits payable would include a quantitative breakdown of remuneration components (i.e. fees and benefits) and the corresponding period for which approval is sought.

6.4 Disclosure of remuneration

6.4.1 Directors' remuneration shall be disclosed on a named and individual basis and by the exact amount, both at Company level and Group level. The remuneration breakdown shall amongst others include fees, salary, bonus, benefits and other emoluments, as the case may be (paragraph 11, Appendix 9C of Listing Requirements and Practice 7.1 of MCCG). The disclosure shall also include Directors who were appointed or retired during the year.

6.4.2 Practice 7.2 of MCCG is not applied where the top five senior management personnel, would refer to the five highest paid Senior Management members of HLHT, including Executive Directors if any are disclosed in bands of RM50,000.

6.4.3 The service contracts of Directors shall made available for inspection by major shareholder(s) upon request and any details of remuneration in that contracts are, therefore, accessible [Section 233(1) of Companies Act 2016].