

2022

KIM LOONG RESOURCES BERHAD

**REMUNERATION POLICY FOR BOARD OF DIRECTORS &
SENIOR MANGEMENT**

1. 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 Kim Loong Resources Berhad (“KIM LOONG” 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 Kim Loong.

1.2 Scope and application

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

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

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”).

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 KIM LOONG.

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 MMLR.

1.3.3 Senior Management - Refer to those individual(s) who generally holds the highest level of management responsibility and decision making authority within the Group. This will typically include the C-suites employees [who are not directors) and any other persons whom the Directors shall consider as being the key senior management.

- 1.3.4 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.

2. REMUNERATION PHILOSOPHY

- 2.1 The remuneration practices of KIM LOONG are anchored on the following overarching objectives:
- (a) Promote symmetric outcomes with the risk appetite of KIM LOONG by encouraging prudent risk taking in decision-making and the undertaking of business activities;
 - (b) Deliver a total reward proposition that is affordable yet competitive, fair and justifiably differentiated;
 - (c) Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy; and
 - (d) 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 KIM LOONG is guided by the following principles in remunerating its Directors and Senior Management:
- (a) The component parts of remuneration shall be structured so as to link rewards to corporate and individual performance.
 - (b) 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 MMLR);
 - (c) Salaries payable to Executive Directors shall not include a commission on or percentage of turnover (paragraph 7.23 of MMLR);
 - (d) The maxim “pay for performance” is adopted in remunerating Executive Directors and Senior Management to promote the long-term success of KLR. Performance is measured based on financial and non-financial key performance indicators (“KPIs”);
 - (e) Bonuses to Executive Directors and Senior Management shall not be guaranteed, except in the context of sign-on bonuses;
- 3.2 The remuneration of Executive Chairman, Managing Director, Executive Directors and Key Senior Management will be determined taken into consideration the following criteria:
- Scope of duty, responsibilities, skills and experience required
 - Company’s budgets and strategic targets
 - Corporate and individual performance
 - Achievement of annual KPIs (both qualitative and quantitative KPIs) including KPIs linked to Environmental, Social and Governance metrics
 - Prevailing market practice and market benchmark
 - General economic situation
 - Extent of contributions, effort and time spent
 - Attendance at meetings and the frequency of meetings

The remuneration of Non-Independent Non-Executive Director and Independent Non-Executive Director will be determined based on the following criteria:

- Number of board committees on which the individual director served
- Experience and level of responsibilities undertaken
- Extent of contributions, effort and time spent
- Prevailing market practice and market benchmark

3.3 Any fee paid by the Company to the Alternate Directors shall be deducted from the Appointing Director's remuneration

4. REMUNERATION STRUCTURE

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

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 Directors on a per-meeting basis with a condition that attendance (physical or virtual) is a prerequisite for remittance.
Fixed	Base 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) 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 KIM LOONG's business activities shall be reimbursed accordingly. All claims reimbursements must be accompanied with the claims receipts and shall be submitted to the Office of Executive Chairman and/or Finance Department (applicable to Executive Directors and Senior Management) for processing on a timely basis.

5. REMUNERATION POLICY AND PROCEDURES

5.1 Non-Executive Directors' remuneration (including Independent Non-Executive Directors)

- 5.1.1 KIM LOONG'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 the 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. If deemed necessary, 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 and meeting allowances. 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.
- 5.1.4 In remunerating Non-Executive Directors, the Board is guided by the aspects of contribution and individual performance, calibre, skill sets and experience that the Non-Executive Directors bring to bear.
- 5.1.5 The Board will then recommend the payment of the Directors' fees and other benefits payable to Non-Executive Directors to the shareholders for approval at each Annual General Meeting of the Company in accordance with Section 230 (1) of the Companies Act, 2016.

5.2 Policy and procedures for Executive Directors and Senior Management remuneration

- 5.2.1 KIM LOONG's policy for Executive Chairman, Managing Director, 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 Fixed remuneration for Executive Chairman, Managing Director, Executive Director and Senior Management is determined based on the following:-
- The scope of the duty and responsibility;

- The conditions and experiences required;
- The ethical values, internal balances and strategic targets of the Company;
- The corporate and individual performance; and
- Current market rate within the industry and in comparable companies.

5.2.4 The performance of Executive Chairman, Managing Director, 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 KIM LOONG's aspirations.

Examples

Quantitative

- Profit Before Tax (PBT),
- Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) or Return on Invested Capital (ROIC) and
- relative performance of KLR

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.

5.2.5 The evaluation on the achievement of each of the KPIs by Senior Management against an agreed performance standard is reviewed by the Executive Chairman/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 Nomination and 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 7.2 of MCCG).

6.1.2 The Nomination and 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.

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 7.2 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 KIM LOONG 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 MMLR.

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 KLR to approve their fees (Guidance to Practice 7.2 of MCCG)

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 MMLR and Practice 8.1 of MCCG). The disclosure shall also include Directors who were appointed or retired during the year.

Review of Policy

This Policy is to be reviewed by the RC on a periodic basis and any requirement for amendment shall be deliberated and any recommendation for revisions shall be presented to the Board for approval.

This Policy has been reviewed and approved by the Board of Directors for adoption with effect from 17 MAY, 2022.