



Since 1942

THONG GUAN INDUSTRIES BERHAD (324203-K)

REMUNERATION POLICY AND PROCEDURE

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1. Introduction

Under Principle A entitled “Board Leadership and Effectiveness” of the Malaysian Code of Corporate Governance 2017, it was recommended that the Board should establish formal and transparent remuneration policies and procedures to attract and retain the right talent in the Board and Senior Management to drive the Company’s Long term Objective.

The Board had establish a Remuneration Committee to perform this function independently. The Remuneration Policy (“the policy”) set out to provide remuneration principles and guidelines for the Executive Directors (“EDs”) and Independent Non-Executive Directors (“INED”) of Thong Guan Industries Berhad (“Thong Guan”).

2. Objective

The Policy is aim to create a performance-oriented working environment, and be able to attract, motivate and retain talent and align the personal objective of staff with the long term interests of Thong Guan.

The Policy and the general incentive structure are designed to meet the following objective:

- a) To enable the Group to attract, develop and train high-performing and motivated staff,
- b) To offer a competitive remuneration that is set at a level which is aligned with the relevant market and industry;
- c) To be in line with the business strategy, objectives, values, long-term goals and interest of Thong Guan;

3. Principle

The Policy shall adhere to the following principles:-

- a) Total remuneration shall be set a level that are competitive.
- b) Incentive plans, performance measures and targets shall be aligned with the shareholders’ interest.
- c) Provide an appropriate level of transparency to ensure the policy underlying EDs and INEDs remunerates is understood by Investors.
- d) Ensure a level of equity and consistency.

4. Remuneration Committee (“RC”)

The RC determines the Company’s remuneration practices with the aim of attracting, motivating and retaining high caliber EDs to deliver value to shareholders. The RC is, among other things, responsible for the following:-

- a) To ensure the levels of remuneration be sufficiently attractive and be able to retain Directors needed to run the Company successfully.
- b) To recommend to the Board of Directors the Policy and Framework for Director Remuneration.
- c) To review and assess the remuneration package for the EDs.
- d) Considering fringe benefits issues, including benefits-in-kind.
- e) To review annually and recommend to the Board the overall Remuneration Policy for the EDs.

5. For Executive Directors (“EDs”)

Policy on Remuneration

The Remuneration of EDs consist of basic salaries, monetary incentive, and fringe benefit. Salaries for EDs may consist of both fixed (i.e. base salary) and variable (performance-based incentive) remuneration components.

Policy on Other Benefits (Non-Cash Benefits or Benefit-in-kind)

The Company may provide competitive benefit to EDs, such as a fully expensed car or allowance alternative in lieu of car, company driver, fuel expenses, private medical and life insurance and any other perks deemed fit. Allowance relating to business expenses (i.e. entertainment and travel) incurred are reimbursed.

6. For Independent Non-Executive Directors (“INEDs”)

The remuneration of INEDs is made up of Directors’ fee, meeting allowance, travelling allowance, chairman allowances, board committee allowances and the reimbursement of expenses incurred, if any, in the course of performing their services. The level of remuneration for INEDs shall reflect the experience and level of responsibilities. The remuneration of INEDs shall not be based on commission, the percentage of profit or turnover. The INEDs are not entitled to receive performance-based bonus nor participate in short-term and/or long term incentive plans.

The Emoluments of INEDs are reviewed by the Board annually. Fees payable to INED shall not be increased except in pursuant to a resolution passed at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting. The Board shall submit any adjustments in Directors’ fee to the General meeting for approval by shareholders.

7. Frequency of Remuneration Review

The RC shall review remuneration levels of EDs at least once a year and shall present the result of their review and recommendation to the Board of Directors for approval.

8. Advisers

The Committee is authorized by the Board to seek appropriate professional advice inside and/or outside the group as and when it considers it necessary.

9. Reporting Procedures

The RC Chairman shall make reports to the Board on the business of the RC.

The Company Secretary shall minute the proceedings and resolutions of all RC meetings, including the name of those present and in attendance. The minute of the meeting of the Committee shall be circulated to all members of the Board. A resolution in writing, signed by all the members of the Committee, shall be as effectual as if it has been passed at a meeting of the Committee duly convened and held.

10. Measurable Objective

On an annual basis, the RC shall discuss and agree on all measurable objectives for offering fair remuneration packages for EDs and recommend them to the Board for adoption.

11. Monitoring and Reporting

Disclosure of Policy and Procedure on remuneration of Directors shall be made in the corporate governance overview statement of the Company's Annual Report. Such report shall include detail of the Directors' remuneration in accordance with the Listing Requirement of Bursa Malaysia Securities Berhad.

12. Review and Revision to the Policy and Procedure

The RC shall review and assess the effectiveness and continued relevance of the Policy and Procedure.

Any requirement for amendment shall be deliberated by the RC, and any recommendation for revision shall be presented to the Board for approval thereafter and upon any changes to the Policy and Procedures.

The Policy adopted by the Board on 23 April 2018.