



# REMUNERATION POLICY AND PROCEDURES FOR DIRECTORS AND SENIOR MANAGEMENT

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## 1. INTRODUCTION

### 1.1 Purpose

MCE Holdings Berhad (“the Company” or “MCE”)’s Remuneration Policy (“the Policy”) seeks to provide clear guide for the purpose of ensuring that the remuneration and compensation package of the Board and Senior Management (“SM”) are reflective of the Group business, complexities and interest as well as skill and experience required which is aligned to the strategic objectives of the Group and that they are aligned with shareholders’ interest with an appropriate balance between short term and long term goals.

### 1.2 Scope and application

5.1.1. The Policy 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”).

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

5.1.1. The Policy is also developed in alignment with the Malaysia Code on Corporate Governance (“MCCG”). Where paragraphs in the Policy make reference to provisions in legislations or other corporate governance promulgations (e.g. MCCG), they are indicated accordingly in italics.

5.1.1. The Policy will be reviewed periodically by the Nomination and Remuneration Committee and be made available on the Company’s website.

## 2. REMUNERATION POLICY AND PROCEDURES

2.1 The Group’s Remuneration Policy is formulated on the principle that the level of remuneration and compensation must be sufficient to attract the right talent while at the same time retain the existing talents currently on board and ensure that the Board and SM are highly motivated to steer the Group.



- 2.2 The Board strives to set the remuneration packages of the SM, including the Group Managing Director (“GMD”) and Group Executive Director (“GED”), at a competitive level by benchmarking to the market and provides incentives based on the agreed performance. The Company also strives to ensure the remuneration packages reflect the relevant duties and responsibilities; which are fair and equitable.
- 2.3 The performance of the Executive Directors is measured based on the achievement of their annual Key Performance Indicators (“KPIs”) (both qualitative and quantitative KPIs). The weightage of the qualitative and quantitative targets may be adjusted to accommodate the Company’s aspirations.

Nature	Examples
Quantitative	Profit Before Tax (PBT), revenue growth or relative performance of the Company.
Qualitative	Building and maintaining of a strong senior management team, fulfillment of directive and strategies set by the Board or timeliness, quality and meeting financial reporting deadlines.

- 2.4 The Company believes that the long term progress of the Group is directly linked to the caliber of its SM and as such it is imperative for the Group to remain competitive in remuneration, besides other measures, in order to attract and retain the right talent.
- 2.5 In the case of Non-Executive Director (“NED”), the guiding principles is to establish a remuneration structure that commensurate with the contribution and level of responsibilities undertaken by a particular NED. The Company also ensures that the remuneration is fair and reasonable when compared to other companies of a similar nature, size and complexity.

**3. REMUNERATION PRINCIPLES**

- 3.1 Fees payable to NED shall be by a fixed sum, and not by a commission on or percentage of profits or turnover (*paragraph 7.23 of Listing Requirements*).
- 3.2 Salaries payable to GMD and GED shall not include a commission on or percentage of turnover (*paragraph 7.23 of Listing Requirement*).
- 3.3 The maxim “pay for performance” is adopted in remunerating Executive Directors and SM to promote the long term success of the Company. Performance is measured based on both financial and non-financial KPIs.
- 3.4 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 Requirement*).



**3.5** Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of the Company’s remuneration packages vis-à-vis other companies. However, such comparisons will be utilized 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 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 the Company:

<b>Category Fixed/ Variable</b>	<b>Component</b>	<b>Component description</b>
Fixed	Fees	A fixed annual Director’s fee shall be provided to Directors for their ongoing contribution to the Board.
Fixed	Meeting allowance	A payment shall be made to NED on a per-meeting basis with a condition that attendance (physical or virtual) is a prerequisite for remittance.
Fixed	Base salary	A monthly basic salary (including the statutory contribution to the Employee Provident Fund (“EPF”)) which is based on duties, responsibilities and job grade shall be provided to Executives Directors and SM for performing their daily job.
Fixed	Benefits	Benefits may be provided to increase the economic security of Executive Directors and SM and as an incentive to attract and retain talent which may including any of the followings: <ul style="list-style-type: none"> <li>a) company car and driver;</li> <li>b) travelling and car allowance</li> <li>c) medical benefits;</li> <li>d) insurance for medical, critical illness and personal accident;</li> <li>e) mobile phone entitlement;</li> <li>f) club membership; and</li> <li>g) other perks.</li> </ul>



Category Fixed/ Variable	Component	Component description
Variable	Bonus	<p><b><u>Executive Directors</u></b></p> <p>A performance based sum (paid via cash, shares or stock options) may be awarded to Executive Directors for attaining or exceeding their assigned KPIs (refer to KPIs and rewarding scale of the Group).</p> <p><b><u>SM</u></b></p> <p>A performance based sum (paid via cash) may be awarded to SM depend on the Company's performance for the relevant financial year, which is determined based on current economic situations and taking into consideration where there are significant changes in scope and/ or level of duties and responsibilities, roles and contributions of SM.</p>

**4.2** In addition, expenses e.g. entertainment and travel expenses incurred by Directors and SM in discharging their duties relating to the ordinary course of the Company's business activities shall be reimbursed accordingly. All claims reimbursements must be accompanied with the claims receipts and shall be submitted to the GMD's secretary (applicable to NED) and Finance Department (applicable to GMD, GED and SM) for processing on a timely basis.

## **5. GOVERNANCE OF REMUNERATION**

### **5.1 Oversight of remuneration**

5.1.1. 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 SM (*Practice 6.1 of MCCG*).

5.1.2. The Nomination and Remuneration Committee shall develop and administer a fair and transparent procedure for setting policy on remuneration of Directors and SM so as to ensure that remuneration packages are determined on the basis of the Directors' and SM'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*).



- 5.1.3. The remuneration policy and procedures shall be implemented with input from the control functions and the Audit and Risk Management Committee to ensure that risk exposure and risk outcomes are adequately considered.
- 5.1.4. Executive Directors do not form part of the composition of the Nomination and 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 Nomination and Remuneration Committee meetings at the invitation of the Chairman of the Nomination and Remuneration Committee, if their presence is required.
- 5.1.5. The remuneration of Executive Directors and SM is approved by the Board, as a whole, with the Individual Executive Director abstaining from discussion of his/ her own remuneration.

## **5.2 Directors and Officers Liability Insurance**

- 5.2.1. 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 the Company provided 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*).
- 5.2.2. 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.

## **5.3 Approval of Directors fees and benefits payable**

- 5.3.1. 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*).
- 5.3.2. Approval of Director fees and benefits payable may be sought in a prospective or retrospective manner. However, payment of Director's fees shall only be made in arrears either on a progressive (e.g. quarterly) or lump-sum basis (e.g. year-end).
- 5.3.3. The resolution contained in the notice seeking shareholders' approval for Director's fees and benefits payable would include a quantitative breakdown of remuneration components i.e. fees and benefits) and the corresponding period of which approval is sought.



#### **5.4 Disclosure of remuneration**

- 5.4.1. Directors' remuneration shall be disclosed on a named and individual basis and by the exact amount. 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 MCGG*). The disclosure shall also include Directors who were appointed or retired during the year.
- 5.4.2. 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*).