

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5143  
**COMPANY NAME** : Luxchem Corporation Berhad  
**FINANCIAL YEAR** : December 31, 2023

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("Board") of Luxchem Corporation Berhad ("Company") is lead by three Independent Directors and three Executive Directors. This combination enables the Board to have balanced views and make well-thought-out decisions at the Board level.</p> <p>The Board sets, discusses and reviews matters of strategic interest and make major decisions that impact the areas of corporate governance, audit, internal control, risk management, sustainability, financial and operational compliance as well as matters important to various stakeholders of the Company.</p> <p>The Board has established Board Committees such as Audit and Risk Management Committee ("ARMC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). Each committee has distinctive functions, roles and responsibilities. All the Committees are headed by Independent Directors and they are well-resourced. The Board and Board Committees are also being assisted and advised by competent company secretaries, external auditors and internal auditors in carrying out their functions.</p> <p>The Independent Directors can contribute through their knowledge and experience in discussions at the Board meetings and where appropriate, the necessary actions are implemented.</p> <p>The three Independent Directors are from different background and industry. They contribute diverse views and insights to the Board.</p> <p>For clarity, the Board Charter sets and states categorically the authority, roles and responsibilities for the Board and the Board Committees. The Board Charter is regularly reviewed and updated in accordance with the changing requirements. The Board Charter is available at the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p> <p>During the financial year ended 31 December 2023 ("FY 2023"), the Board had, inter alia, carried out the followings:</p>

### Strategic and Compliance Matters

The Board discussed and reviewed budget, risk management, internal controls, corporate governance, financial, operational and compliance matters.

The Board also reviewed and approved disposal and acquisition of assets (if any) proposed by the Executive Directors.

The Board discussed and reviewed the financial performance of the Company on a quarterly basis to ensure integrity in its reporting and announcements, and comply with the disclosures as prescribed under the Listing Requirements and Malaysian Financial Reporting Standards.

### Review of Management Team's Performance

The Executive Directors reviewed and evaluated the Management Team's performance and contribution. A clear, meaningful and measurable targets for the year were discussed and set. The review and progress of the targets were evaluated, tracked and reviewed on a monthly or mid-year basis.

### Risk Management and Internal Control

The Executive Directors and the Group's Management Team reviewed, discussed, implemented and updated on the Group's Enterprise Risk Management including the key risks facing by the Group. The Board ensured that the risk management and internal framework remains relevant and effective.

The Board, through its ARMC, assessed and evaluated the Group's operation risks and the integrity of the Company's financial and non-financial reporting. With the professional support of internal and external auditors as the "guardian" of the Company, perils and risks could be highlighted and identified to the Board for appropriate corrective actions to be taken.

### Good Corporate Governance

The Board emphasised the compliance of Section 17A of Malaysian Anti-Corruption Commission Act 2009 ("MACC Act 2009") in the Group since its enforcement on 1 June 2020. The implementation of corporate liability under the new Section 17A of the MACC Act 2009 in the Group was audited and reported as and when necessary to the Board.

The Company has adopted Anti-Bribery & Anti-Corruption Policy, Code of Ethics & Conduct for Business Partners, Whistleblowing Policy, Directors' Remuneration Policy, Directors' Fit and Proper Policy, Directors' Code of Best Practice, Gender Diversity Policy, Community Investment Policy, Sustainability Policy, Quality Management Policy and Conflict of Interest Policy to govern how the Company operates and how it aligns with the interest of all its stakeholders.

### Succession Planning

The NC is entrusted by the Board with responsibilities to oversee the selection and assessment of Directors and Board Committees as well as succession planning for Directors and Key Senior Management personnel in the Group as necessary.

	<p><u>Stakeholders Engagement and Communication</u></p> <p>The Company kept its stakeholders informed with the important matters through making and releasing the relevant announcements via Bursa Malaysia Securities Berhad ("Bursa Securities") LINK, media and also publishing the same on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p>	
<p><b>Explanation for departure</b></p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>		
<p><b>Timeframe</b></p>		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Board is Datuk Kwan Foh Kwai. He is a well-known person in the construction industry and has extensive experience in the said industry. Hence, he can lead the Board in setting the policies for the Company to meet its goals and objectives. Under his leadership, the Board has discharged its responsibilities effectively. His profile is available at the Annual Report 2023 and Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a></p> <p>The roles and responsibilities of the Chairman are provided in the Appendix B of the Board Charter, which is available on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>. The stakeholders may also communicate with the Company at <a href="mailto:luxchem@luxchem.com.my">luxchem@luxchem.com.my</a>.</p> <p>The Chairman is leading the Board towards inculcating good corporate governance practices to safeguard the Company and its Group's interest. The Chairman together with the rest of the Independent Non-Executive Directors had discussed strategic, governance and operational issues of the Company in the meetings held in FY 2023 and the Board has taken appropriate actions.</p> <p>In addition, the Chairman also has other responsibilities with regard to conducting of Board meetings:</p> <ul style="list-style-type: none"> <li>• Chairing the meeting;</li> <li>• Setting agenda of the meeting;</li> <li>• Ensuring the meeting is conducted orderly and effectively;</li> <li>• Ensuring sufficient information and meeting papers are being provided to the Board members;</li> <li>• Leading the meeting and discussion;</li> <li>• Encouraging participation and ensuring sufficient time for views of Board members to be expressed;</li> <li>• Ensuring and maintaining professional working relationship between members of the Board meeting; and</li> <li>• Allowing shareholders to pose the questions during General Meeting and providing appropriate answers to the issues raised by shareholders.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The positions of Chairman and Managing Director/Chief Executive Officer ("MD/CEO") are held by different individuals to ensure that the roles and responsibilities are held separately for better accountability and transparency.</p> <p>A formal position description for the Chairman and MD/CEO are outlined in the Appendix B and Appendix C of the Board Charter, which is available at the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p> <p>The Chairman is responsible for representing the Board to the shareholders and encourage participation of Board members in resolving matters which required attention of the Board. The Chairman is also responsible for ensuring the independence, integrity and effectiveness of the governance process of the Board and maintaining regular dialogue with the MD/CEO in its collective oversight over the management of all operational matters of the Group and will consult with the Board over any matter that gives him cause for concern.</p> <p>All Board's authority conferred on the Management is delegated through the MD/CEO so that the authority and accountability of management is considered to be the authority and accountability of the MD/CEO as far as the Board is concerned.</p> <p>The MD/CEO focuses on the business and day-to-day management of the Company and he is accountable to the Board for the achievement of the Company's goals and Group's business performance.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>																									
<b>Application</b>	: Departure																								
<b>Explanation on application of the practice</b>	:																								
<b>Explanation for departure</b>	: <p>The Chairman of the Board, Datuk Kwan Foh Kwai, is currently a Chairman and a member of the Board Committees as shown in the tables below:</p> <table border="1" data-bbox="560 958 1407 1088"> <thead> <tr> <th colspan="2"><b>Audit and Risk Management Committee</b></th> </tr> </thead> <tbody> <tr> <td>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td> <td>Chairman</td> </tr> <tr> <td>Datuk Kwan Foh Kwai</td> <td>Member</td> </tr> <tr> <td>Mr Tan Teck Kiong</td> <td>Member</td> </tr> </tbody> </table> <table border="1" data-bbox="560 1117 1407 1247"> <thead> <tr> <th colspan="2"><b>Remuneration Committee</b></th> </tr> </thead> <tbody> <tr> <td>Datuk Kwan Foh Kwai</td> <td>Chairman</td> </tr> <tr> <td>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td> <td>Member</td> </tr> <tr> <td>Mr Tan Teck Kiong</td> <td>Member</td> </tr> </tbody> </table> <table border="1" data-bbox="560 1276 1407 1406"> <thead> <tr> <th colspan="2"><b>Nominating Committee</b></th> </tr> </thead> <tbody> <tr> <td>Mr Tan Teck Kiong</td> <td>Chairman</td> </tr> <tr> <td>Datuk Kwan Foh Kwai</td> <td>Member</td> </tr> <tr> <td>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td> <td>Member</td> </tr> </tbody> </table> <p>After much consideration, the Company has decided to maintain the composition of the Board Committees as status quo based on the following justifications:</p> <ol style="list-style-type: none"> <li>1. Through the collective observation/assessment of the Board, the Chairman, Datuk Kwan Foh Kwai, has acted objectively and uphold his independence in all the matters relating to and discussed in the Board and Board Committees of which he is a Chairman or a member.</li> <li>2. Datuk Kwan Foh Kwai does not have any conflict of interest in all aspects of the Company and its subsidiaries. He does not hold subsidiary shares nor does he has executive position or dealing in any of the subsidiaries which may affect his independence or influence his judgement.</li> </ol>	<b>Audit and Risk Management Committee</b>		Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Chairman	Datuk Kwan Foh Kwai	Member	Mr Tan Teck Kiong	Member	<b>Remuneration Committee</b>		Datuk Kwan Foh Kwai	Chairman	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Member	Mr Tan Teck Kiong	Member	<b>Nominating Committee</b>		Mr Tan Teck Kiong	Chairman	Datuk Kwan Foh Kwai	Member	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Member
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	<p>3. Datuk Kwan Foh Kwai has also offered valuable insight and knowledge to each of the Board Committees that he has been involved in the Company since appointed to the Board. He voiced his concern as necessary and shown impartiality in his judgement and conduct when acting as a Chairman or a member of the Board Committees.</p> <p>4. In the assessment of the Board Committees composition, the current setup of Board Committees with one Chairman and two members is effective and facilitates fast decision-making processes. It avoids deadlock in board decision and allows faster implementation of decision.</p> <p>In summary, the Company understands the importance of compliance with this Practice. However, the Company is of the view that the current Board Committees are robust (i.e. meeting the objective of the respective Board Committees) and efficient. Adding or reducing number of directors towards complying of this practice may not necessarily bring desired results.</p> <p>The Company will assess the practicality of this Practice from time to time and work towards complying with the Practice when necessary.</p>
	<p>Please provide an alternative practice and explain how the alternative practice meets the intended outcome.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b></p>	<p>: Nil</p>
<p><b>Timeframe</b></p>	<p>: Others</p>

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board is assisted by three qualified and competent Company Secretaries. One of them is a member of Malaysian Institute of Accountants and another two Company Secretaries are the associate members of the Malaysian Institute of Chartered Secretaries and Administrators.</p> <p>During the FY 2023, the Company Secretaries performed the following tasks:</p> <ul style="list-style-type: none"><li>a) Provided support to the Board in carrying out its fiduciary duties and stewardship role in shaping the standard of corporate governance of the Group;</li><li>b) Played an advisory role to the Board, particularly with regards to the Companies Act 2016, Main Market Listing Requirements ("MMLR"), Company's Constitution, Board's policies, Board Charter and procedures as well as updating and, advising the Board on compliance with regulatory and listing requirements, codes, guidelines and legislations from time to time;</li><li>c) Monitored corporate governance developments and assisted the Board in adhering to the principles and practices of best corporate governance practices to meet the Board's needs and stakeholders' expectations; and</li><li>d) Prepared and circulated notice of meetings, managed and attended Board meetings, Board Committees meetings, shareholders meetings and ensure that deliberations and decisions at the respective meetings were accurately minuted including whether any Director has abstained from voting or deliberating on a particular matter. The minutes were kept in the minutes books and subsequently communicated to the relevant parties for necessary actions to be taken.</li><li>e) Prepared Board and Board Committees' Resolutions and ensured that the decisions within the Board and Board Committees' authority were duly approved, recorded and kept.</li><li>f) Assisted with Board members' annual evaluation exercise and presented the summary of evaluation results to the Board and Board Committee members for discussion and review.</li></ul>

	<p>All Directors have unrestricted access to the advice and services of the Company Secretaries for the purposes of the Board's affairs and the business of the Group. The appointment and removal of Company Secretaries shall be the prerogative of the Board as a whole.</p> <p>As the Company Secretaries will keep the Directors and shareholders informed of their legal responsibilities and ensure documents relating to the management of the Company are up to date and correct, the Board is able to run the Company more effectively to ensure all the objectives and goals are met. During the FY 2023, the Company Secretaries undertook continuous professional development by attending various trainings/webinars.</p>	
<p><b>Explanation for departure</b></p>	<p>:</p>	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b></p>	<p>:</p>	
<p><b>Timeframe</b></p>	<p>:</p>	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board understands that the supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group.</p> <p>Directors have full and unrestricted access to all information pertaining to the Group's business and affairs including major financial, operational and corporate matters.</p> <p>The Board and/or Board Committees papers are prepared and distributed to the Directors and/or Committee Members at least five (5) days (except financial reports are circulated at least two (2) working days) before the Board and/or Board Committees' meetings to allow the Board and/or Committee Members to receive the information in a timely manner.</p> <p>Urgent matters falling outside these timing requirements are allowed, and subject to the Board Chairman's approval.</p> <p>Upon conclusion of meetings, the Company Secretaries circulate the minutes within 2 to 3 weeks after the meetings and ensure that the minutes of meetings accurately reflect the deliberations and decisions of the Board.</p> <p>As meeting materials are distributed in advance, all Board members can prepare ahead and contribute effectively and constructively during the meetings. With prompt distribution of minutes, the Board and Management are promptly notified and reminded on the actions and plans. This has aided the Company in decision making to achieve stable growth since its listing.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

## Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised its Board Charter and ensured that the Board Charter is reviewed, discussed and updated regularly so as to reflect the adoption of latest changes in the regulations and corporate governance matters.</p> <p>Board Charter serves as a reference for the fiduciary duties as a Director of the Company (inclusive of Senior Independent Director) and the functions of the Board Committees.</p> <p>The Board reviews the Board Charter as and when necessary and make necessary amendments to ensure that they remain in compliance, relevant and consistent with the Board's objective and values, current law and best practices to enable the Board to discharge its responsibilities effectively.</p> <p>The Board Charter regulates how the Company's business is conducted and how the decision is made, as well as guiding the Board to discharge its fiduciary duties in the best interests of the Company. With the roles and responsibilities of the Board and senior management clearly defined, this has contributed towards the growth of the Company.</p> <p>During FY 2023, the Terms of Reference of ARMC which formed part of the Board Charter was reviewed, revised and approved by the Board on 26 October 2023 and the same has published on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Directors' Code of Best Practice ("Code") has been established to promote good corporate behaviours of the Board, Senior Management, employees as well as business partners of the Company and its subsidiaries. The Code and Code of Ethics &amp; Conduct for Business Partners are published on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p> <p>The Code provides guidance to all the Directors in conducting themselves to the highest standards of conduct and ethics during their employment.</p> <p>The Code has also included the latest development on Anti-Money Laundering, Anti-Corruption and abuse of power. The Code was made applicable to the major subsidiaries of the Company.</p> <p>Under the Code, Board members are required to declare any personal, professional or business interests that may create conflict of interest with Directors' responsibilities when discharging their fiduciary duties. The Board members are also required to adhere to the code of professional behaviours during their tenure with the Company.</p> <p>The Code requires all Senior Management and selected employees of the Group performing key and significant functions to disclose and declare situation that is of or potentially be of conflict of interest, to the Company annually. The employees are also required to adhere to the Code of professional behaviours in the Code.</p> <p>It is common practice for Board Members, Senior Management and employees to abstain from any decision-making process if they are the interested parties.</p> <p>In 2021, the Company had established and aggressively implemented policies and procedures relating to compliance of the Section 17A of the MACC Act 2009 to all the key subsidiaries. In FY 2023, the Company had rolled out the same policies and procedures to its subsidiaries, i.e. Lexis entities.</p>



	The Company will continue to drive the adherence of ethical conduct of business from Board to rank-and-file level and be the trusted chemical supplier as echoed in the Company's tagline.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board had established a Whistleblowing Policy in 2018 which is available on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>. Posters are placed in all offices to create awareness among the employees. The Whistleblowing Committee comprises three (3) Independent Non-Executive Directors, namely Datuk Kwan Foh Kwai (Chairman), Encik Taufiq Ahmad @ Ahmad Mustapha bin Ghazali (member) and Mr Tan Teck Kiong (member).</p> <p>The Whistleblowing Policy provides a transparent and structured reporting channel and guidance to all stakeholders to provide information on fraud, wrongdoings or non-compliance to any rule or procedure within the Group.</p> <p>Whistleblowers can report any improper conduct to any of the Whistleblowing Committee members without any risk of reprisal, to safeguard their confidentiality and enable prompt actions to be taken, where appropriate.</p> <p>Whistleblowers may also report directly to an outsourced independent party at <a href="mailto:whistleblower@crowe.my">whistleblower@crowe.my</a> on any fraudulent actions or improper conduct.</p> <p>The identity of the whistleblowers will be kept confidentially by the Whistleblowing Committee and Management.</p> <p>During the FY 2023, no whistleblowing report was received by the Whistleblowing Committee.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Since 2017, the Company has included the sustainability statement in the annual report.</p> <p>The Company:</p> <ul style="list-style-type: none"> <li>• Set the scope of its sustainability management;</li> <li>• Established sustainability framework that requires involvement from both the Board and the Management of the Group;</li> <li>• Defined material sustainability matters relevant to the Group and its stakeholders;</li> <li>• Determined sustainability focus and considerations;</li> <li>• Set measurable sustainable targets; and</li> <li>• Report major sustainability activities taken place during the financial year.</li> </ul> <p>The Company had outlined its sustainability journey in 2023 (e.g. initial phase, preparation phase, execution phase and control phase) for integrating the ESG factors in their planning, performance and long-term strategy. In addition, the Management will present to the Board on the status and update of the sustainability progress ensuring that the business operations align with its journey towards delivering its value.</p> <p>The Company has fine-tuned its operations and made some progress towards becoming a sustainable organisation since 2017. The Company shall continue its journey towards a truly sustainable organisation in the coming years.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

## Practice 4.2

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company publishes its sustainability report in the annual report. The report highlights the Company's focus and framework in driving and managing sustainability. Key sustainability efforts during the financial years, including KPIs performance, are also reported in the Annual Report. The Annual Report is also available in softcopy for public view at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p> <p>On 26 September 2022, Bursa Securities had introduced enhanced sustainability reporting requirements within the MMLR with the aim to elevate the sustainability practices and disclosures of listed issuers. The Company has appointed Chief Sustainability Officer to manage its sustainability journey and to brief and collect the common sustainability information from different departments, hence, the staff were well informed and communicated of the effort.</p> <p>The Sustainability Statement has been reviewed in accordance with recognised assurance standards to enable the stakeholders to assess the company's strategy, sustainability risks and opportunities and whether the company is managing the change towards a sustainable business model.</p> <p>The Company has also made available all of its annual reports at Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>. Shareholders and public can download and read the reports.</p> <p>During FY 2023, the Company held a fully virtual Annual General Meeting ("AGM"). At the AGM, shareholders were given opportunity to raise questions and concerns regarding sustainability matters to the Board for appropriate responses.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.3

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has ensured that related sustainability trainings had been arranged for key employees across the subsidiaries including its Board since 2017.</p> <p>Issues on sustainability risks and opportunities will also be presented by the Management to the Board. Through the trainings attended, experience and background of the Board members, they are equipped with the knowledge to oversight and evaluate the sustainability issues practically.</p> <p>In 2022, the Company completed its project of converting diesel fuel to natural gas for its thermal oil burner in Luxchem Polymer Industries Sdn Bhd (“LPISB”). The natural gas commenced operations in 2<sup>nd</sup> quarter of FY 2022. In the rough estimation, the plant has reduced CO2 emission by 4% since the operation.</p> <p>In 2021, the Management of LPISB conducted an assessment of Solar Power Panel project for Luxchem Polymer Industries Sdn Bhd. The project commenced in FY 2022 and completed in FY 2023.</p> <p>The aforesaid projects / initiatives have shown the commitment of the Company adopting and applying sustainability ideology in its operation.</p> <p>The Company will continue its efforts in educating all levels of employees in the Group on sustainability matters, applying and adopting technologies and systems, which are beneficial to the sustainability matters for the Group, and continue its journey to become a truly sustainable organisation.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The sustainability performance evaluation has been adopted in the Board annual performance evaluation. However, the sustainability evaluation has not adopted at the senior management level in the Group.	
		The Company has been implementing policies and actions taken to address sustainability risks from top to bottom to support its long-term strategy. However, performance evaluation on senior management in addressing the Company's material sustainability risks and opportunities has not been implemented yet.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
<b>Timeframe</b>	:	Choose an item.	

### Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

*Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.*

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>During the FY 2023, the Board has appointed Mr Tan Boon Chai, the Chief Operating Officer of Luxchem Group to take on an additional role as a Chief Sustainability Officer to drive, manage and integrate sustainability matters.</p> <p>Mr Tan Boon Chai has created Luxchem Group Sustainability Plan and he has been updating the Board on the progress of the sustainability journey.</p>

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.1

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The NC continues to discharge its roles and responsibilities, and to ensure that the board composition and tenure of each Director are reviewed periodically. The NC also ensure that the re-election of Directors is carried out annually and evaluation of the Directors are done objectively.</p> <p>The NC had carried out its annual assessments on the effectiveness of the Board and Board Committees as a whole, and contribution of each individual Director for the financial year ended 31 December 2023 by using various evaluation forms as follows:</p> <ul style="list-style-type: none"><li>(a) Board Committees' Assessment Form;</li><li>(b) Board Skills Matrix Form;</li><li>(c) Individual Director Self and Peer Evaluation Form;</li><li>(d) Individual Audit and Risk Management Committee Members Self and Peer Evaluation Form;</li><li>(e) Independent Directors' Self-Assessment Form; and</li><li>(f) Board Assessment Form.</li></ul> <p>These evaluation forms were prepared by the Company Secretary and sent to the Board Committee members/Directors for their self and/or peer assessments and for them to provide their feedback, views and suggestions for improvement. The results of the assessments were compiled by the Company Secretary and a summary of the evaluations were tabled to the NC for review and deliberation, and thereafter reported to the Board by the Chairman of NC on 22 February 2024.</p> <p>The Board and the NC will conduct the fit and proper assessment prior to the appointment of any candidate as a director, or making recommendation for the re-election of an existing director to enhance the governance of the Company in relation to the Board's quality and integrity.</p> <p>The Board recognises that satisfactory evaluation of the Directors' performance and his contribution to the Board shall form the basis in recommending the re-election of retiring Directors to the shareholders.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.2**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied							
<b>Explanation on application of the practice</b>	:	<p>The Board consists of a total of six members with three Independent Directors and three Executive Directors.</p> <table border="1" data-bbox="635 685 1091 784"> <thead> <tr> <th>Independence</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>50%</td> </tr> <tr> <td>Non-Independent Directors</td> <td>50%</td> </tr> </tbody> </table> <p>The current Board provides diversity of perspectives and views to ensure thoughtful and objective discussions before an informed decision is made.</p> <p>The three Independent Directors have met the criteria of being an “Independent Director” under the definition of the MMLR.</p>		Independence	%	Independent Directors	50%	Non-Independent Directors	50%
Independence	%								
Independent Directors	50%								
Non-Independent Directors	50%								
<b>Explanation for departure</b>	:								
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>									
<b>Measure</b>	:								
<b>Timeframe</b>	:								

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.3**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	During the FY 2023, none of the Independent Directors in the Company have exceeded a cumulative term limit of nine years.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

*Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.*

<b>Application</b>	:	Not adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 5.5

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board consists of three Executive Directors (inclusive of Managing Director/Chief Executive Officer) and three Independent Directors.</p> <p>The Board is qualified, with diverse background, skills and experience to assess risk, anticipate challenges and identify opportunities. The Company attributes its growth partly due to its Board composition, as it gives the advantage to the Board by adding varying perspectives when deliberating and making its decisions.</p> <p>Before recommending candidates to be appointed by the Board, the NC would apply the following criteria in screening and evaluating new candidates:</p> <ul style="list-style-type: none"><li>a. skills, knowledge, expertise and experience;</li><li>b. professionalism;</li><li>c. integrity;</li><li>d. education;</li><li>e. cultural background;</li><li>f. gender;</li><li>g. fit &amp; proper assessment;</li><li>h. time commitment; and</li><li>i. in the case of candidates for the position of Independent Directors, the NC also evaluates the candidate's ability to discharge its responsibilities/functions as expected from the Independent Directors.</li></ul> <p>Upon selection and appointment, a formal invitation to join the Company as a Board member would be extended by the Chairman of the Board.</p> <p>The composition of the Board is well balanced to address any business challenges and to drive the business of the Group to greater heights.</p> <p>During the FY 2023, no new appointment was made to the board and key senior management level.</p>
<b>Explanation for departure</b>	:	



*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 5.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board delegates to the NC the responsibility to nominate and to appoint new directors to the Board. Such responsibilities include screening and conducting an initial selection by assessing the capabilities, qualities and commitment of the potential candidates.</p> <p>The NC also ensures the potential candidates possess the appropriate skills, core competences and experiences to discharge their role as directors.</p> <p>The Board does not solely rely on recommendations from the existing board members, management or major shareholders.</p> <p>If the new appointment of Independent Non-Executive Director is necessary in the future, the Board will utilise independent sources for sourcing suitably qualified candidates.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.7

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has included in the Statement Accompany Notice of 32<sup>nd</sup> AGM the profile of Directors who are seeking for re-election, i.e. Madam Chin Song Mooi and Madam Chen Moi Kew.</p> <p>A Statement on the Board has supported the NC's recommendation for the proposed re-election of Madam Chin Song Mooi and Madam Chen Moi Kew, who are retiring at the upcoming AGM, along with the justification on why the Board supports the re-election has been included in the Explanatory Notes of the Notice of 32<sup>nd</sup> AGM.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 5.8

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied												
<b>Explanation on application of the practice</b>	:	<p>The NC is responsible for overseeing and reviewing, on annual basis, the skills, experience, knowledge, time commitment, integrity, and characteristics required of the Directors and the Board's effectiveness in considering the needs of the Group and its business. The Terms of Reference of the NC and Senior Independent Director are included in the Board Charter and it is available on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p> <p>In order to ensure that the selection and evaluation of Directors are done objectively, the NC members are solely made up of Independent Directors and the NC is chaired by the Independent Director. The composition of NC for FY 2023 are as follows:</p> <table border="1"> <thead> <tr> <th>Members of NC</th> <th colspan="2">Position</th> </tr> </thead> <tbody> <tr> <td><u>Chairman</u> Mr Tan Teck Kiong</td> <td>Independent Director</td> <td>Non-Executive</td> </tr> <tr> <td><u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td> <td>Independent Director</td> <td>Non-Executive</td> </tr> <tr> <td>Datuk Kwan Foh Kwai</td> <td>Independent Chairman</td> <td>Non-Executive</td> </tr> </tbody> </table> <p>As of to-date, the Company has not appointed any Senior Independent Non-Executive Director after the resignation of Mr Chan Wan Siew, the former Senior Independent Non-Executive Director of the Company on 13 March 2020. The position of Senior Independent Non-Executive Director will be appointed/considered in due course.</p>	Members of NC	Position		<u>Chairman</u> Mr Tan Teck Kiong	Independent Director	Non-Executive	<u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Independent Director	Non-Executive	Datuk Kwan Foh Kwai	Independent Chairman	Non-Executive
Members of NC	Position													
<u>Chairman</u> Mr Tan Teck Kiong	Independent Director	Non-Executive												
<u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Independent Director	Non-Executive												
Datuk Kwan Foh Kwai	Independent Chairman	Non-Executive												
<b>Explanation for departure</b>	:													
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>														
<b>Measure</b>	:													

<b>Timeframe</b>	:		
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### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.9

The board comprises at least 30% women directors.

<b>Application</b>	:	Applied						
<b>Explanation on application of the practice</b>	:	<p>A summary of the Board composition based on gender in FY 2023 is set out as below:</p> <table border="1"><thead><tr><th>Gender</th><th>%</th></tr></thead><tbody><tr><td>Male</td><td>67%</td></tr><tr><td>Female</td><td>33%</td></tr></tbody></table> <p>Out of the six Board members, two of them are female directors namely Madam Chin Song Mooi and Madam Chen Moi Kew. This represents 33.33% of the total Board members.</p> <p>In 2022, the Board approved and officialised its position on achieving 30% women Director at Board level and at least 20% women in Key Senior Management level. The Gender Diversity Policy is available for public view at the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>.</p> <p>The Company has met the requirement of at least 30% representation of women directors on the board of public listed companies.</p>	Gender	%	Male	67%	Female	33%
Gender	%							
Male	67%							
Female	33%							
<b>Explanation for departure</b>	:							
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>								
<b>Measure</b>	:							
<b>Timeframe</b>	:							

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 5.10

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company has established a Gender Diversity Policy in year 2022 and the same has been made available at the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a> .  The Company has achieved its target of 30% women director at the Board level and set to achieve its target of 20% women representation in Key Senior Management.  Ms Lau Sok Ching was promoted as General Manager, Factory in Luxchem Polymer Industries Sdn Bhd in year 2022. She has been entrusted with the leadership role leading and managing the plant.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 6.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>									
<b>Application</b>	: Applied								
<b>Explanation on application of the practice</b>	: <p>The NC will meet at any time when the need arises. During FY 2023, NC meetings were held on 16 February 2023 and 27 April 2023 respectively, among others, the agenda included but not limited to review and assess the mix of skills, expertise, composition, size and experience of the Board, including the core-competencies of both Independent Directors and Executive Directors, the contribution of each individual Director, the effectiveness of the Board as a whole and the Board Committees.</p> <p>The NC also discussed, assessed and recommended the re-election of Madam Chin Song Mooi and Madam Chen Moi Kew.</p> <p>In FY 2023, the details of attendance of each member at the NC meeting are as follows:</p> <table border="1"><thead><tr><th>Name of NC Members</th><th>Attendance</th></tr></thead><tbody><tr><td>Mr Tan Teck Kiong (Chairman of NC)</td><td>2/2</td></tr><tr><td>Datuk Kwan Foh Kwai</td><td>2/2</td></tr><tr><td>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td><td>2/2</td></tr></tbody></table> <p>During the FY 2023, the NC had carried out evaluation on Board and Board Committees by using criteria as follows:</p> <p><b>a) Board Committees' Assessment Form</b></p> <ul style="list-style-type: none"><li>• Contribution to interactions, roles and duties, knowledge and integrity</li><li>• Governance, independence and risk management, ability to discharge roles and duties as well as knowledge and contribution to the Company</li></ul> <p><b>b) Board Assessment Form</b></p> <ul style="list-style-type: none"><li>• Assess the Board Structure/Membership</li><li>• Ability to demonstrate a high level of professionalism and integrity in the decision-making process</li><li>• Evaluating sustainability matters, such as environmental, social and governance</li></ul>	Name of NC Members	Attendance	Mr Tan Teck Kiong (Chairman of NC)	2/2	Datuk Kwan Foh Kwai	2/2	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	2/2
Name of NC Members	Attendance								
Mr Tan Teck Kiong (Chairman of NC)	2/2								
Datuk Kwan Foh Kwai	2/2								
Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	2/2								



	<p><b>c) Board Skills Matrix Form</b></p> <ul style="list-style-type: none"> <li>Assess the composition, knowledge, skills, expertise and experience of the Board</li> </ul> <p><b>d) Individual Director Self and Peer Evaluation Form</b></p> <ul style="list-style-type: none"> <li>Contribution to interaction</li> <li>Quality of input</li> <li>Understanding of role</li> </ul> <p><b>e) Individual ARMC Members' Self and Peer Evaluation Form</b></p> <ul style="list-style-type: none"> <li>Quality and composition</li> <li>Skills and competencies</li> <li>Meeting administration and conduct</li> <li>Ability and competency to read, analyse and interpret financial statements.</li> </ul> <p><b>f) Assessment of independence of the Independent Directors</b></p> <p>These forms were prepared by the Company Secretary and sent to all Directors for their self and/or peer assessment and for them to provide their feedback, views and suggestions for improvement. The results of the assessment were then compiled by the Company Secretary and summaries of the evaluations were tabled to the NC and the Board for review and deliberation on 22 February 2024.</p> <p>All assessments and evaluations carried out by the NC in the discharge of its functions are properly documented.</p> <p>Based on the assessment conducted for the financial year under review, the NC concluded that the existing structure of the Board and Board Committees is appropriate and effective, based on the following factors:</p> <ul style="list-style-type: none"> <li>The Company has a well-balanced Board. It comprises three (3) Independent Non-Executive Directors and three (3) Executive Directors;</li> <li>The Board is of the right size and comprises individuals who have diverse skills, knowledge, experience and expertise that combines to provide different perspectives and effective board dynamics. Thus, it enables effective and constructive deliberations whereby any decision made is founded on detailed and balance considerations;</li> <li>Each Board member understands its role and responsibilities and is committed in discharging its fiduciary duties; and</li> <li>The Board has sound knowledge and understanding of the Group's business and challenges as well as the industry in which the Group operates and is able to chart strategic directions for the Group.</li> </ul> <p>The NC was satisfied with its existing number and composition and is of the view that, with the current mix of skills, knowledge, experience and strength, the Board as a whole is able to discharge its duties effectively.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 7.1

The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a formal and transparent process for approving the remuneration of the Board, Board Committees and Senior Management ("Remuneration Policy"). The Remuneration Policy is available on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a></p> <p>The Board determines and evaluates the level of remuneration of its directors which enables the Group to attract, retain and motivate directors with relevant experience and expertise needed after considering the recommendations of the Remuneration Committee to assist in managing the Group effectively.</p> <p>All Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined based on their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and/or special skills and expertise they bring to the Board. Directors do not participate in decisions regarding their own remuneration packages.</p> <p>The Board is remunerated based on the respective qualifications, experience and contribution to the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 7.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	: Applied			
<b>Explanation on application of the practice</b>	<p>The RC is responsible for reviewing and recommending to the Board, the remuneration of the Executive Directors and Senior Management. Determination of remuneration packages of Non-Executive Directors, including Non-Executive Chairman, is recommended by the RC and determined by the Board as a whole, and Executive Directors are not involved in discussions on their remuneration.</p> <p>The RC has a written Terms of Reference which deals with its authority and duties and it can be found in the Board Charter on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a></p> <p>It is the procedure of the Company and the Group that all Executive Directors and Senior Management are remunerated based on the Group's performance, market conditions and their responsibilities whilst the remuneration of the Non-Executive Directors is determined in accordance with their experience, level of responsibilities assumed in the Board Committees and the Board, their attendance and / or special skills and expertise they bring to the Board.</p> <p>The members of the RC for FY 2023 are as follows:</p> <table border="1"><thead><tr><th><b>Members of RC</b></th></tr></thead><tbody><tr><td><u>Chairman</u> Datuk Kwan Foh Kwai</td></tr><tr><td><u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Mr Tan Teck Kiong</td></tr></tbody></table> <p>The RC meets at least once in a year with additional meetings to be convened, if necessary, or to propose any agenda to the Board via Remuneration Committee Written Resolution. For FY 2023, the RC had met once on 16 February 2023 to review and assess the remuneration package of the Board members and Senior Management, taking into consideration the skills, expertise, composition, size and experience of the Board, including the core-competencies of both Executive and Non-</p>	<b>Members of RC</b>	<u>Chairman</u> Datuk Kwan Foh Kwai	<u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Mr Tan Teck Kiong
<b>Members of RC</b>				
<u>Chairman</u> Datuk Kwan Foh Kwai				
<u>Members</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali Mr Tan Teck Kiong				

	<p>Executive Directors and the contribution of each individual Director/Senior Management.</p> <p>The Board believes that the existing remuneration practices and processes are sufficient and have produced the desired and positive result.</p> <p>The fees to be paid to the Directors and benefits of Independent Non-Executive Directors will be tabled as separate resolutions at the forthcoming Annual General Meeting for shareholders' approval.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.1**

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The aggregate remuneration paid or payable to all Directors of the Company for the FY 2023 is listed on named basis with the detailed remuneration breakdown in the table as follows:

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Datuk Kwan Foh Kwai	Independent Director	50	5	Input info here	Input info here	Input info here	Input info here	55	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	Independent Director	50	5	Input info here	Input info here	Input info here	Input info here	55	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Mr Tan Teck Kiong	Independent Director	50	5	Input info here	Input info here	Input info here	Input info here	55	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Mr Tang Ying See	Executive Director	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	1,200	100	15.5	156.7	1,472.2
5	Madam Chin Song Mooi	Executive Director	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	33.6	120	10	Input info here	20.3	183.9
6	Madam Chen Moi Kew	Executive Director	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	40	Input info here	600	100	9.9	88.6	838.5
7	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
8	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
9	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
10	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
11	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
12	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
13	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
14	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
15	Input info here	Choose an item.	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here



### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 8.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>While the Independent Directors and Executive Directors' remuneration are disclosed under Practice 8.1, the Board is of the view that remuneration disclosure of the other Executive Directors (at the subsidiary level) and Senior Management may bring about adverse effect on the Company's overall talent retention strategy in this highly competitive industry.</p> <p>The remuneration of the Executive Directors of subsidiary companies and Senior Management of the Group are measured, evaluated and rewarded yearly according to the market competitiveness, level of contributions and business/individual's performance and achievement for the year. Their remuneration packages are reviewed by the RC and approved by the Board annually.</p> <p>The Board believes that the existing remuneration related policies, practices and processes are sufficient and have produced the desired and positive results at Senior Management level.</p> <p>The Board is of the opinion that the disclosure on a named basis for the Senior Management would not be in the best interest of the Group due to confidentiality concerns.</p>	
		Please provide an alternative practice and explain how the alternative practice meets the intended outcome.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	Nil	
<b>Timeframe</b>	:	Others	Nil

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 8.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

## Practice 9.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied			
<b>Explanation on application of the practice</b>	:	<p>For FY 20223, the ARMC comprises three Independent Non-Executive Directors as follows:</p> <table border="1" data-bbox="560 725 1230 976"> <tr> <td><b>Members of ARMC</b></td> </tr> <tr> <td><u>Chairman</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td> </tr> <tr> <td><u>Members</u> Datuk Kwan Foh Kwai Mr Tan Teck Kiong</td> </tr> </table> <p>Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, the current ARMC Chairman, is not the Chairman of the Board. This is to ensure overall effectiveness and independence of the ARMC from the Board.</p> <p>He is a member of the Malaysian Institute of Accountants, a Fellow of the Association Chartered Certified Accountants (UK), Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants.</p> <p>With the independence of the ARMC's composition, there is an objective and independent review of among others, the financial reporting process, related party transactions and conflict of interest situations that may arise within the Company or Group and any transaction, procedure or course of conduct that raises questions of management integrity.</p> <p>The ARMC is also fully informed about significant matters related to the company's audit and its financial statements.</p>	<b>Members of ARMC</b>	<u>Chairman</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	<u>Members</u> Datuk Kwan Foh Kwai Mr Tan Teck Kiong
<b>Members of ARMC</b>					
<u>Chairman</u> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali					
<u>Members</u> Datuk Kwan Foh Kwai Mr Tan Teck Kiong					
<b>Explanation for departure</b>	:				
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>					
<b>Measure</b>	:				
<b>Timeframe</b>	:				



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

**Practice 9.2**

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>There is no former key audit partner being appointed as a member of the ARMC.</p> <p>Any former key audit partner shall observe a cooling off period of at least three years before being appointed as a member of ARMC pursuant to the Terms of Reference of the ARMC.</p> <p>The ARMC is effective and independent, therefore, providing assurance to stakeholders of the independence and transparency in the disclosure of financial information.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 9.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The ARMC is responsible to evaluate the performance and independence of External Auditors as set out in the Terms of Reference of ARMC in the Board Charter which is available on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a></p> <p>The ARMC has evaluated the performance of the External Auditors, Messrs BDO PLT, including assessment of the following criteria during the FY 2023 to form a basis for their re-appointment:</p> <ul style="list-style-type: none"><li>a) adequacy of audit scope;</li><li>b) independence and objectivity;</li><li>c) technical competency, audit quality and adequacy of resources;</li><li>d) nature and extent of non-audit services rendered and appropriateness of their level of non-audit fees; and</li><li>e) the information as presented in its Annual Transparency Report.</li></ul> <p>As part of the review process, the ARMC has sought and reviewed the Management's comments and feedback on the performance of the External Auditors, BDO PLT. The External Auditors had also affirmed that they maintained their independence in accordance with the MIA By-Laws (On Professional Ethics, Conduct and Practice).</p> <p>During FY 2023, the Company held one private session with the External Auditors on 16 February 2023, without the presence of the Executive Directors, Company Secretaries and Management team. This process ensures that critical issues, if any, are objectively brought up to the attention of the ARMC.</p> <p>For further details, please refer to the ARMC Report, included in the Annual Report 2023.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	



<b>Timeframe</b>	:		
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### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations.  
The company's financial statement is a reliable source of information.

### Practice 9.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted			
<b>Explanation on adoption of the practice</b>	:	<p>The ARMC of the Company comprises solely of Independent Directors. The composition of the ARMC as at 31 December 2023 was as follows:</p> <table border="1"><tr><td><b>Members of ARMC</b></td></tr><tr><td><i>Chairman</i> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali</td></tr><tr><td><i>Members</i> Datuk Kwan Foh Kwai Mr Tan Teck Kiong</td></tr></table>	<b>Members of ARMC</b>	<i>Chairman</i> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali	<i>Members</i> Datuk Kwan Foh Kwai Mr Tan Teck Kiong
<b>Members of ARMC</b>					
<i>Chairman</i> Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali					
<i>Members</i> Datuk Kwan Foh Kwai Mr Tan Teck Kiong					

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 9.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of ARMC, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali, is a member of the Malaysian Institute of Accountants, a Fellow of the Association Chartered Certified Accountants (UK), a Fellow of the Institute of Chartered Accountants (England and Wales) and a member of the Malaysian Institute of Certified Public Accountants. He holds a Master in Business Administration (MBA) from the University of Leicester, England and MSc in International Business Administration from School of Oriental and African Studies, University of London, England. He also has more than 30 years of professional experience including being a partner of Deloitte, one of the Big Four accounting firms.</p> <p>Based on his experience, Encik Taufiq Ahmad @ Ahmad Mustapha Bin Ghazali is suitable to head the ARMC.</p> <p>The ARMC members have vast working experience with the requisite knowledge and skills from different industries. Based on the evaluation forms completed by the ARMC members, they are competent to read, analyse and interpret financial statements and qualified to review the accuracy of the Group's financial statements prior to recommending the same to the Board for approval. The ARMC would ask probing questions to the Management and/or External Auditors to ascertain whether there are significant matters requiring judgement.</p> <p>All ARMC members are aware of the need to continuously develop and improve their knowledge in the area of accounting and auditing standards given the changes and development in this area from time to time.</p> <p>During the FY 2023, the ARMC members had attended trainings and seminar to keep abreast with development in accounting, auditing standards, taxation, corporate governance and financial reporting disclosures.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 10.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its overall responsibility for reviewing the adequacy and effectiveness of the Group's risk management and internal control systems, identifying principal risks and establishing an appropriate control environment and framework to manage risk to safeguard shareholders' interests and the Group's assets.</p> <p>The Board had established a Risk Management and Internal Control framework, i.e. Enterprise Risk Management, where all the risk elements in all the business segments and operation areas are identified, evaluated, implemented and monitored systematically on an annual basis. The Company had also outsourced its internal audit function to an independent professional internal audit service provider, i.e. Crowe Governance Sdn. Bhd. to carry out the reviews and assessments on the adequacy and effectiveness of the Group's internal control system. During the FY 2023, the risk elements were reviewed, re-evaluated, updated and monitored on regular basis.</p> <p>The Group's Risk Management and Internal Control process involves Heads of Subsidiaries / Divisions / Departments / Branches identifying risk elements in the respective companies / functions, evaluating risk tolerance, initiating necessary actions for managing the risks as well as reviewing and updating the risk areas on regular basis. All the risk management actions are recorded in the Risk Register which would be reviewed, discussed and assessed by ARMC and the Board for its adequacy and effectiveness in the quarterly meetings.</p> <p>Further details on the key elements of the Group's risk management and internal control systems are available in the Statement on Risk Management and Internal Control, included in the Annual Report 2023.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 10.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges its responsibility for reviewing the adequacy and integrity of the Group's risk management and internal control systems; identifying the risk appetite and principal risks in the Group; and establishing appropriate control environment and framework to manage risks.</p> <p>Key elements of the Group's risk management and internal control system have been established to facilitate the proper conduct of the Group's businesses. Among others, the Company has adopted Anti-Bribery and Anti-Corruption Policy, Code of Ethics &amp; Conduct for Business Partners, Whistleblowing Policy, Directors' Remuneration Policy, Directors' Fit and Proper Policy, Conflict of Interest Policy, Directors' Code of Best Practice, Gender Diversity Policy, Community Investment Policy, Sustainability Policy and Quality Management Policy.</p> <p>The Board is committed to maintain a strong control structure to facilitate the achievement of the Group's business objectives. Internal controls have been designed to provide reasonable assurance that the likelihood of significant adverse impact on business objectives arising from an event is at acceptable level to the Group.</p> <p>The Board has received assurance from the Managing Director/Chief Executive Officer and Executive Director/Chief Financial Officer that, to the best of their knowledge, the Group's risk management and internal control system are operating adequately and effectively, in all material respects during the financial year under review and up to the date of issuance of this Statement.</p> <p>Further details on the features of Group's risk management and internal control framework and the Board's responsibilities for reviewing the adequacy and effectiveness of the framework are provided in Statement on Risk Management and Internal Control, included in the Annual Report 2023.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 10.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>On 30 April 2019, the Board approved the audit and risk management functions be combined and renamed as ARMC and lead by three experienced Independent Directors.</p> <p>The ARMC is entirely comprised of Independent Directors and apart from overseeing the Group's audit functions, the Independent Directors, who are suitably qualified and experienced, are also overseeing the Risk Management functions of the Group. To reflect such changes, the Terms of Reference of ARMC, which is available at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a>, has been revised to include, inter alia, financial reporting, external audit, internal audit and Risk Management.</p> <p>The three Independent Directors are not involved in the management and day-to-day operations of the Company and Group in any way, and they are not remunerated in performance-based or share-based incentive from the Company and Group. This will assure their independent, fair and proper assessment in overseeing all the matters of risk management framework and policies.</p> <p>The Risk Management Committee of the Group was established in 2018 when the Group implemented Enterprise Risk Management on the same year and by default, all the Heads of Subsidiaries, Heads of Divisions / Departments of the Group are the members of Risk Management Committee. The Enterprise Risk Management system includes Risk Management Register that requires yearly review by respective Heads for assessment on the risk elements, the tolerance level and actions necessary to manage / address the risks in the respective functions of the Heads. The review of the risk elements in the Risk Registers was conducted yearly for 2019, 2020, 2021 and 2022. In year 2023, the risk registers were updated and presented to all the ARMC members at the ARMC meetings quarterly.</p>

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 11.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group outsourced its Internal Audit Function to a professional internal audit service provider, Crowe Governance Sdn. Bhd. to assist the ARMC and the Board in providing an independent assessment and objective assurance on the internal control system of the Group.</p> <p>The Internal Audit Function reports directly to the ARMC in respect of its assessment of the Group's internal control system. For the FY 2023, the internal audit plan, processes, performance evaluation and budget were reviewed and approved by the ARMC during the year.</p> <p>The ARMC was satisfied that the internal auditors had met the objective and competency required and expected for the independent audits.</p> <p>The internal audits were performed in accordance with the International Professional Practice Framework issued by The Institute of Internal Auditors Malaysia.</p> <p>During FY 2023, the Company held one private session with the Internal Auditor on 16 February 2023, without the presence of the Executive Directors, Company Secretaries and Management team.</p> <p>The internal auditors were given sufficient resources and access to confidential information to enable them to carry out their audits effectively and efficiently.</p> <p>The internal audit reports were presented to the ARMC on a quarterly basis. The internal auditors would provide the audit findings/follow-up report and action plans taken by the Management to address the issues raised in the internal audit reports. The ARMC also updated the Board on the outcome of the above internal audit reports.</p> <p>Stakeholders are provided with information to assess the effectiveness of the Company's Internal Audit function, from the summary of works described in the ARMC Report as included in the Annual Report 2023.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b>	:		
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## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 11.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	: Applied				
<b>Explanation on application of the practice</b>	<p>The Group has outsourced its internal audit function to an independent internal audit service provider, i.e. Crowe Governance Sdn. Bhd. (“Internal Auditors”). The Internal Auditors conduct their assessment and provide independent and objective assurance to the ARMC and the Board on the adequacy and effectiveness of the risk management, internal control system, anti-corruption, whistleblowing and governance processes of the Group.</p> <p>All the internal audit personnel involved are free from any relationships or conflicts of interest, which could impair their objectivity and independence. All employees in the firm are required to complete the Independence Declaration Form on an annual basis. In addition, all the internal audit personnel involved are required to acknowledge on the Employee Professional Conduct and Ethics Declaration on assignment basis. The internal audit department of Crowe Governance Sdn. Bhd. is led by Mr Amos Law and his qualification is as follows:</p> <table border="1" style="margin-left: 40px;"> <tr> <td style="background-color: #cccccc;"><b>Name</b></td> <td>Amos Law, Executive Director</td> </tr> <tr> <td style="background-color: #cccccc;"><b>Professional Qualification</b></td> <td>Certified Internal Auditor (“CIA”), Chartered Institute of Internal Auditors (“CIMA”) Certification in Risk Management Assurance (“CRMA”)</td> </tr> </table> <p>All the internal audit functions were carried out in accordance with International Professional Practices Framework issued by The Institute of Internal Auditors Malaysia.</p> <p>The Internal Auditors report directly to the ARMC on the outcome of its appraisal of the Group’s risk management activities which includes its internal control system. The Internal Auditors organised their work in accordance with the principles of the internal auditing standards covering the conduct of audit planning, execution, documentations, communication of findings and consultation with key stakeholders on audit concerns.</p>	<b>Name</b>	Amos Law, Executive Director	<b>Professional Qualification</b>	Certified Internal Auditor (“CIA”), Chartered Institute of Internal Auditors (“CIMA”) Certification in Risk Management Assurance (“CRMA”)
<b>Name</b>	Amos Law, Executive Director				
<b>Professional Qualification</b>	Certified Internal Auditor (“CIA”), Chartered Institute of Internal Auditors (“CIMA”) Certification in Risk Management Assurance (“CRMA”)				

	<p>The internal audit plan was reviewed and approved by the ARMC. The internal audit reports were presented to the ARMC on a quarterly basis. The ARMC reviews the audit findings and action plans taken by the Management to address the audit findings and issues, before reporting to the Board. The Internal Auditors also follow up on the Management's implementation of all the audit recommendations and ascertain the status of implementation thereof for improvement on the systems of internal control.</p> <p>The Internal Auditors had reported their findings and reviews to the ARMC members and all the reviews were adequate and met the ARMC's expectations.</p>	
<b>Explanation for departure</b>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>		
<b>Timeframe</b>		

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

## Practice 12.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied																	
<b>Explanation on application of the practice</b>	:	<p>The Board believes that stakeholders' engagement is the basis for good corporate governance and important for our business economic sustainability. One of our key stakeholders is our shareholders.</p> <p>At our virtual AGM held on 25 May 2023, all shareholders were invited to raise questions to the members of the Board prior to the AGM and during the AGM.</p> <p>The Board provided clear explanations to address all the shareholders' questions. Shareholders' needs and expectations were evaluated and appropriately considered.</p> <p>Thereafter, minutes of the AGM has been uploaded to the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a> pursuant to Paragraph 9.21(2)(b) of the MMLR.</p> <p>The Company had provided a general email address to all its shareholders to send in their queries. All email queries were reviewed and promptly attended to by the Executive Director/Chief Financial Officer or authorised personnel.</p> <p>The Company recognises the importance of providing timely and accurate information to its shareholders. Therefore, the Company had announced its quarterly results ahead of the deadline as prescribed under the MMLR, as follows:</p> <table border="1"> <thead> <tr> <th>Quarter Result</th> <th>Bursa Deadline</th> <th>Announcement Date</th> <th>Remarks</th> </tr> </thead> <tbody> <tr> <td>Q1'23</td> <td>31 May 2023</td> <td>27 April 2023</td> <td rowspan="4">Released quarterly results ahead of the deadline</td> </tr> <tr> <td>Q2'23</td> <td>30 August 2023 (last market day in August 2023)</td> <td>27 July 2023</td> </tr> <tr> <td>Q3'23</td> <td>30 November 2023</td> <td>26 October 2023</td> </tr> <tr> <td>Q4'23</td> <td>29 February 2024</td> <td>22 February 2024</td> </tr> </tbody> </table> <p>With these on-going communications, stakeholders were kept informed of the Company's performance and have continued to support the Company, as evidenced by stability in the Company's share price.</p>	Quarter Result	Bursa Deadline	Announcement Date	Remarks	Q1'23	31 May 2023	27 April 2023	Released quarterly results ahead of the deadline	Q2'23	30 August 2023 (last market day in August 2023)	27 July 2023	Q3'23	30 November 2023	26 October 2023	Q4'23	29 February 2024	22 February 2024
Quarter Result	Bursa Deadline	Announcement Date	Remarks																
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Q4'23	29 February 2024	22 February 2024																	
<b>Explanation for departure</b>	:																		

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 12.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Not applicable – Not a Large Company	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Notice of AGM had included detailed explanatory notes and background information on the proposed resolutions, where applicable, to enable shareholders to make informed decisions regarding the business agenda of the AGM.  The Notice of 31 <sup>st</sup> AGM was sent to the shareholders on 5 April 2023 through emails and newspaper advertisement, which was set at least 28 days' notice prior to the date of the AGM, held on 25 May 2023. In addition, the Company also published the Notice of AGM on its website, released to the public via Bursa LINK and advertised in a local newspaper.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>All Directors, Company Secretaries and relevant Senior Management together with the External Auditors attended the AGM held virtually on 25 May 2023.</p> <p>Shareholders were encouraged to submit questions to the Board in advance via Tricor's TIIH Online website or write directly to the Company. In addition, upon commencement of the AGM, the Chairman duly advised the shareholders that they were allowed and encouraged to submit their questions or queries in the query box throughout the AGM proceedings.</p> <p>All shareholders' questions were responded accordingly by the respective members of the Board or the Senior Management.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.3

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>At the 31<sup>st</sup> AGM, the Company leveraged on technology in conducting Remote Participation Voting ("RPV") in accordance with the Constitution of the Company.</p> <p>The entire AGM proceedings were held through RPV facilities provided by the Share Registrar of the Company, Tricor Investor &amp; Issuing House Services Sdn. Bhd. ("TIIH"), via its TIIH Online Website at <a href="https://tiih.online">https://tiih.online</a></p> <p>With the RPV facilities provided by TIIH, shareholders are able to participate and vote remotely to facilitate greater shareholders' participation.</p> <p>The Company appointed Scrutineer Solutions Sdn. Bhd. as the scrutineers to verify and announce the poll results. Based on the poll results as announced, the Chairman declared that all the resolutions as tabled under the agenda of the meeting were carried. The poll results were also announced via Bursa LINK on the same day for the benefit of all shareholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

## Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: During the FY 2023, the Company conducted its fully virtual AGM on 25 May 2023. The meeting also adopted the latest technology that facilitate voting in absentia and remote shareholders' participation.  The Company had given at least 28 days' notice and all Board of Directors attended the meeting. Apart from Notice of Meeting, all pertinent documents relating to the meetings were available for perusal and download from the Company's website besides published at Bursa's website. The notice of meeting had included detailed explanatory notes and requisite information on the proposed resolutions, where applicable, to enable shareholders to make informed decisions regarding to the respective business agenda of the meetings.  Pre-meeting questions relating to financial performance, non-financial performance and company strategies were collected from shareholders prior to the meeting and answered by the Board during the meeting. In addition, shareholders were able to post live questions to the Board of Directors during the meeting for immediate interaction and deliberation with the Board as necessary. In the meeting, shareholders were given ample opportunities, time and information to raise questions and seek answers directly from the Board of Directors before the voting session begun. The meeting was interactive.  In addition, the shareholders are allowed to share their feedback and questions with the Company at <a href="mailto:luxchem@luxchem.com.my">luxchem@luxchem.com.my</a> outside of the general meeting.
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 13.5

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>	
<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>During the FY 2023, the Company conducted its virtual AGM on 25 May 2023. The meeting also adopted the latest technology that facilitate voting in absentia and remote shareholders' participation.</p> <p>The Company had chosen virtual general meetings over hybrid/ physical general meetings in FY 2023 in order to adopt the technology of virtual general meetings that has been proven for both of its reliability and ease of use.</p> <p>To ensure the AGM running safely, smoothly and professionally, the Company had engaged TIIH to conduct the virtual general meeting. TIIH has the infrastructure, tools and proven experienced in administering the virtual meetings for listed issuers.</p> <p>In the meeting, shareholders were given ample opportunities, time and information to raise questions and seek answers directly from the Board before the voting session begun.</p> <p>The virtual meeting had run smoothly and the responses to the questions posed by shareholders were displayed during the meeting. All questions submitted by the shareholders of the Company prior to the AGM and the responses to the questions were read out by the Managing Director/Chief Executive Officer and the Executive Director at the online broadcasting AGM.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	

<b>Timeframe</b>	:		
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**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 13.6**

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>	
<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	: During the FY 2023, the Company had held its 31 <sup>st</sup> AGM on 25 May 2023. The minutes of the AGM which include issues or concerns raised by shareholders and responses by the Company were uploaded on the Company's website at <a href="http://www.luxchem.com.my">www.luxchem.com.my</a> within 30 business days after the conclusion of the AGM.
<b>Explanation for departure</b>	:  
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b>	:  
<b>Timeframe</b>	:  



**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT  
CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

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