

**Remuneration Policy and Procedures of**  
**Directors and Senior Management**

**1. INTRODUCTION**

This policy sets out the criteria to be used in recommending the remuneration package of Executive Directors (“EDs”), Non-Executive Directors (“NEDs”) (collectively referred to as “Directors”) and Senior Management of Richtech Digital Berhad (“the Company”) and is in line with the principles and practices of the Malaysian Code on Corporate Governance (“MCCG”).

Practice 6.1 of the MCCG recommends that the Board has in place policies and procedures to determine the remuneration of Directors and Senior Management, which takes into account the demands, complexities, performance and prospects of the Company as well as skills, experience required and performance of the Directors and Senior Management.

The Board has a Remuneration Committee (“RC”) to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Board and Senior Management. The Board determines who makes up Senior Management and if any other group of employees should be covered by the remuneration policy and procedures.

**2. OBJECTIVES**

The policy is designed with the aim to support the Company’s key strategies and create a strong performance-oriented environment. The said policy shall adhere to the following key principles:-

- Determine the level of remuneration package of Directors and Senior Management;
- Attract, develop and retain high performing and motivated Directors and Senior Management with a competitive remuneration package;
- Provide a remuneration such that the Directors and Senior Management are paid a remuneration commensurate with the responsibilities of their position, merit, qualification and competence, and with regard to the Company’s operating results and prospects, individual performance, comparable market statistics and overall company’s performance in managing material sustainability risks and opportunities;
- Provide an appropriate level of transparency to ensure the policy underlying Directors and Senior Management’s remuneration is understood by investors and shareholders; and
- Encourage value creation for the Company and its stakeholders by attracting and retaining the right talent in the Board and Senior Management.

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**3. REMUNERATION COMPONENTS**

**3.1 EDs and Senior Management**

Remuneration packages for EDs and Senior Management seeks to involve a balance between fixed and performance-linked (variable) elements. The relative weightage of fixed and variable remuneration for performance varies with level of responsibility, complexity of the role and typical market practice.

The remuneration of EDs and Senior Management should be set at a competitive level for similar roles within comparable markets to recruit and retain high quality senior executives.

The Remuneration packages of the EDs and senior Management will comprise the following components:-

● Fixed components

<b><u>Fixed Components</u></b>	<b><u>Target Performance</u></b>
Fixed Salary	<ul style="list-style-type: none"><li>● The scope of the duty and responsibilities;</li><li>● The conditions, experiences and expertise required;</li><li>● The ethical values, internal balances and strategic targets of the Company;</li><li>● The corporate and individual performance;</li><li>● Current market rate within the industry and in comparable companies; and</li><li>● Merit, qualification and competence.</li></ul>
Employer superannuation contribution in line with Statutory obligations	In accordance with statutory requirements.
Social Security Organisation (“SOCSO”) & Employee Insurance Scheme (“EIS”)	In accordance with statutory requirements.
Reimbursement Expenses	All their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending board meetings of the Company or business meetings.

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- Variable components based on performance linked

<u>Variable components</u>	<u>Target Performance</u>
Bonus and/or Incentives and/or rewards	<ul style="list-style-type: none"> <li>• Short term target:               <ol style="list-style-type: none"> <li>i. Creates a performance culture;</li> <li>ii. Supports short-term operational objectives; and</li> <li>iii. Rewards achievement of financial and short-term personal targets.</li> </ol> </li> </ul>
Share option	<ul style="list-style-type: none"> <li>• Long term target:               <ol style="list-style-type: none"> <li>i. Long-term target and/or milestone;</li> <li>ii. Purports to align with shareholder value whilst creating an effective “golden handcuff” in the long term;</li> <li>iii. Retention of key talents and high quality of Executives program; and</li> <li>iv. addresses skills shortages.</li> </ol> </li> </ul>

- Any compensation for loss of employment of EDs or former EDs.

The determination of any compensation for loss of employment of EDs or former EDs is decided by the Board, as a whole and subject to shareholders’ approval, with individual ED abstaining from discussion of his or her own remuneration. The compensation for loss of employment of EDs or former EDs are reviewed by the RC and the Board before table to the shareholders at the general meeting for approval.

The following approaches will be considered in determining the compensation of loss of employment of EDs or former EDs:-

- Cash - all-inclusive lump sum cash payment being paid to EDs or former EDs; and
- Otherwise than cash – benefits-in-kind.

Below are the factors to be taken into account for determining the compensation of loss of employment of EDs or former EDs:-

- Position and roles in the Group;
- Past corporate and individual performance and performance culture lead by the EDs or former EDs;
- His past achievement within the Group and personal targets/milestone;
- His ethical values, internal balances and strategic targets; and
- Current market rate within the industry and in comparable companies; and
- Current economic.

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**3.2 For NEDs**

NEDs are remunerated by way of fees and other benefits payable (in the form of cash and by a fixed sum) that are approved by shareholders on an annual basis. The remuneration should take into account fee levels and trends for similar positions in the market and the time commitment required from the NEDs (estimated number of days per year) as well as any additional responsibilities undertaken such as a director acting as chairman of the board, chairman of a board committee or as the senior independent director.

The remuneration of NEDs is made up of Directors' fees and meeting allowances (collectively, known as emoluments) as compensation for their services plus the reimbursement of expenses incurred, if any, in the course of performing their services. The level of remuneration for NEDs shall reflect the experience and level of responsibilities undertaken by the NED concerned. The remuneration of an NED shall be by a fixed sum, and not be based on commission, the percentage of profits, or turnover.

The following approaches will be considered in determining the fees for NEDs:-

- Fixed fees - all-inclusive lump sum fee being paid to directors;
- Fixed board fee plus set fees for either chairperson or member of a committee;
- Fixed fees for each category of meeting, based on a pre-arranged agenda for the ensuing year; and
- Fixed fees for each category of meeting, with the provision that there is no payment for non- attendance.

The determination of NED's remuneration is decided by the Board, as a whole and subject to shareholders' approval, with individual NED abstaining from discussion of his or her own remuneration. The emoluments of NEDs are reviewed by the RC and the Board annually.

Fees payable to NED shall not be increased except in pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Based on recommendations from the Board, any adjustments in Directors' fees to the general meeting for approval by shareholders.

NEDs are not entitled to receive performance-based bonuses nor participate in short-term and/or long-term incentive plans.

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**3.3 Other Benefits and Allowances**

The benefits and allowances which should be decided by the Board as a whole include the following:-

- Chairman's allowance;
- Meeting allowance;
- Expenses incurred in the course of their duties as Directors;
- Medical insurance and life insurance;
- Benefit-in-kind such as motor vehicle, petrol, driver, accommodation and subscription and/or renewal fee of club membership; and
- Other emoluments.

**4. PROCEDURES**

- 4.1 The Board has a RC to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and Senior Management. The RC has written Terms of Reference which deals with its authority and duties and these terms are disclosed on the Company's website.
- 4.2 The RC should only consist of NEDs and a majority of them must be Independent Directors, drawing advice from experts, if necessary. Directors who are also shareholders of the Company should abstain from voting at general meetings to approve their fees. Similarly, Executive Directors should not be involved in deciding their own remuneration.

**5. APPROVAL**

The fees of the Directors, and any benefits payable to the Directors including any compensation of loss of employment of a director or former director, shall be subject to annual shareholder approval at a general meeting.

**6. PERIODIC REVIEW AND DISCLOSURE**

- 6.1 The RC should conduct a periodic review of the criteria and procedures to be used in the recommending the remuneration packages of Directors and Senior Management. The RC should promptly communicate the new changes or amendments of the criteria and procedures to the Board and individual Directors.

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- 6.2 The detailed disclosure allows shareholders to make an informed decision when voting on the approval of Directors' remuneration and to consider the appropriate remuneration package taking into account the responsibilities of the Directors.
- 6.3 The disclosure of how the remuneration is measured allows stakeholders to understand the link between Senior Management remuneration and the Company's performance. This will also enable stakeholders to determine whether the remuneration is fair and able to attract and retain talent.
- 6.4 The Company will disclose the remuneration of directors for the financial year in the company's annual report in the following manner:-
- The remuneration of directors of the Company (including the remuneration for services rendered to the Group) for the financial year on a named basis, stating the amount received or to be received from the Company and on a group basis respectively; and
  - The disclosure must include the amount in each component of the remuneration (e.g. directors' fees, salaries, percentages, bonuses, commission, compensation for loss of office, benefits-in-kind based on an estimated money value and other emoluments) for each director.
- 6.5 Disclosure on a named basis the top five (including Executive Directors) senior management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.00.

**7. REVIEW OF POLICY**

This policy will be reviewed periodically by the RC or as and when it is required to ensure the information remains current and updated.

This policy shall be made available at the Company's website.

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