



Remuneration Policy and Procedures for Directors and Senior Management

Duopharma Biotech Berhad

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1. Introduction

1.1 Purpose

- 1.1.1 This Remuneration Policy and Procedures is the guiding document (“Document”) for the Board of Directors (“Board”) and the Nomination and Remuneration Committee (“NRC”) of Duopharma Biotech Berhad (“Duopharma Biotech” or the “Company”) to determine the remuneration of Directors and Senior Management, taking into account the demands, complexities and performance of the Company as well as skills, experience, time commitment required and responsibilities reposed on the Directors and Senior Management.
- 1.1.2 This Document seeks to set out an overarching framework for the development and administration of a fair and transparent framework for the remuneration of Directors and Senior Management of Duopharma Biotech.

1.2 Scope and Application

- 1.2.1 This Document should be read together with the relevant enumerations encapsulated in the following legislations:
- 1.2.1.1 Companies Act 2016 (“CA 2016”);
 - 1.2.1.2 Capital Markets and Services Act 2007 (Amendment 2012); and
 - 1.2.1.3 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”);
- 1.2.2 Where there is a conflict between the contents of this Document and the aforementioned legislations, the relevant enumerations contained in the said legislations shall prevail.
- 1.2.3 Where applicable, words importing one gender include the other gender and words importing the singular include the plural and vice versa.
- 1.2.4 This Document is also developed in alignment with the Malaysian Code on Corporate Governance (“MCCG”). Where paragraphs in this Document make reference to provisions in legislations, benchmarked remuneration best practices or other corporate governance promulgations, they are indicated accordingly in italics.
- 1.2.5 This Document will be reviewed periodically by the Nomination and Remuneration Committee (“NRC”) and the Board of Duopharma Biotech and made available on the Company’s website.

1.3 Definition and Interpretation

1.3.1 In the context of the Policy, the following terms are ascribed with the following definitions:

Terms	Definition
Executive Director	A Director who assumes management responsibilities in Duopharma Biotech.
Independent Director	A Director who is independent of Management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interests of an applicant or a listed issuer. The Director fulfils the independence criteria set out in paragraph 1.01 of Listing Requirements.
Major Shareholder	A person who has an interest of 10% or more of the total number of voting shares in Duopharma Biotech; or 5% or more of the total number of voting shares in Duopharma Biotech where such person is the largest shareholder of Duopharma Biotech (<i>Paragraph 7.23 of MMLR</i>).
Non-Executive Director	A Director who does not assume management responsibilities in the Group. A Non-Executive Director may be an Independent Director or a Non-Independent Director.
Non-Independent Director	A Director who does not fulfil the independence criteria set out in paragraph 1.01 of the Listing Requirements. This includes Non-Independent Non-Executive Directors as well as Executive Directors.
Officer	Any Director, secretary or employee of the corporation; a receiver and manager of any part of the undertaking of the corporation appointed under a power contained in any instrument; and any liquidator of a company appointed in a voluntary winding up (<i>Section 2 of CA 2016</i>).
Remuneration	All forms of consideration rendered to Directors and Senior Management in exchange for the services. This includes but is not limited to fees, meeting allowances, salary, bonus and benefits-in-kind.
Risk Appetite	Aggregate level and types of risk Duopharma Biotech is willing to assume, decided in advance and within its risk capacity, to achieve Duopharma Biotech's business objectives and strategies.
Senior Management	Senior Management are defined as employees of Job Grade 19 (and above) and who are also C-Suite officers and members of the Group Management Committee (GMC)
Share Option	A right to buy a certain number of Duopharma Biotech shares at a predetermined price.

2. Remuneration philosophy

- 2.1 The remuneration practices of Duopharma Biotech are anchored on the following overarching objectives:
- 2.1.1 Drive behaviour that is consistent with Duopharma Biotech's core values (i.e. P – passion, E – excellence, T – teamwork, I – integrity, R – responsible and R – respect);
 - 2.1.2 Promote symmetric outcomes with the risk appetite of Duopharma Biotech by encouraging prudent risk taking in decision-making and the undertaking of business activities;
 - 2.1.3 Deliver a total reward proposition that is affordable yet fair and justifiably differentiated;
 - 2.1.4 Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy; and
 - 2.1.5 Encourage a culture of organisational, team and individual performance and significantly incentivising individuals who deliver sustained performance consistent with strategic goals.

3. Remuneration Principles

- 3.1 Duopharma Biotech is guided by the following principles in remunerating its Directors and Senior Management:
- 3.1.1 **Principle 1: Simple**
The framework should be simple and transparent for all stakeholders to understand.
 - 3.1.2 **Principle 2: Competitive and fair**
Retaining leaders of the necessary calibre requires remuneration arrangements that are competitive in the marketplace. As such, Directors and Senior Management are attracted and remunerated fairly by reflecting the appropriate market rates for the skills and experience acquired. Duopharma Biotech remains cognisant of the need to ensure that the remuneration accorded is value for money.
 - 3.1.3 **Principle 3: Performance accounted**
Whilst the remuneration of Directors should not be pegged to headline performance indicators of the Company, the maxim “pay for performance” is adopted in remunerating Executive Directors and Senior Management to promote the long-term success of Duopharma Biotech. Performance is measured based on a holistic balanced scorecard approach comprising both financial and non-financial key performance indicators (“KPIs”), particularly ESG considerations that underpin the Company's strategic direction.

3.1.4 **Principle 4: Aligned with the overall remuneration practices of the Company**
Remuneration structures are aligned to the context of the broader employee remuneration to ensure fair and responsible remuneration practices in line with the notion of “distributive justice”.

3.1.5 **Principle 5: In accordance with legislations, corporate governance promulgations and better practices**

The remuneration policy is framed around the legislations and corporate governance promulgations that are set in place of which are as follows:

- 3.1.5.1 Fees payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover (*Paragraph 7.23 of MMLR*);
- 3.1.5.2 Salaries payable to Executive Directors shall not include a commission on or percentage of turnover (*Paragraph 7.23 of MMLR*);
- 3.1.5.3 Independent Directors generally shall not be remunerated with shares or stock-options. If exceptionally granted, the quantum granted shall not amount to an extent that it would result in the Independent Director becoming a major shareholder (*Paragraph 1.01 of MMLR*).
- 3.1.5.4 Share options, if granted to Directors and Senior Management, shall not vest immediately. The vesting period of share options shall reflect the time horizon of risks and take account of the potential for risks to crystallise over a longer period of time;
- 3.1.5.5 Bonuses to Executive Directors and Senior Management shall not be guaranteed, except in the context of sign-on bonuses or gratuity;
- 3.1.5.6 In order to safeguard the independence and authority of the Senior Management personnel that are engaged in control functions (e.g., the Chief Legal Officer), the remuneration of such individuals shall be based principally on the achievement of control functions objectives, and determined in a manner that is independent from the business lines they oversee. However, the KPIs for such personnel may include common KPI for the Senior Management such as achievement of profit before tax target; and
- 3.1.5.7 Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of Duopharma Biotech remuneration packages vis-à-vis other companies. However, such comparisons will be utilised with caution, in the view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary.

4. Remuneration Structure

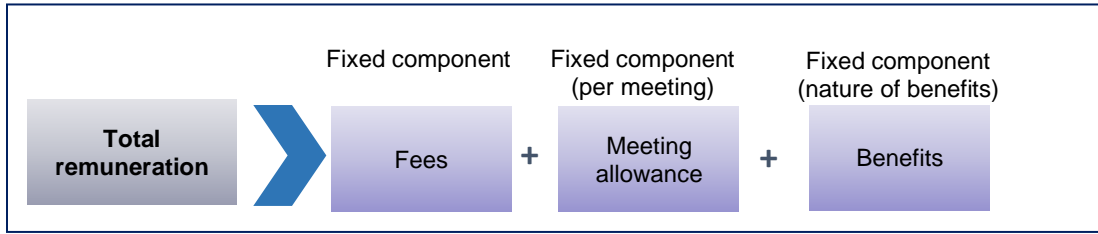
4.1 The table below summarises the main components that shall form the remuneration packages of Directors and Senior Management of Duopharma Biotech:

Category-Fixed/Variable	Component	Component description
Fixed	Fees	A fixed retainer sum shall be provided to Non-Executive Directors for their ongoing contribution to the Board (Directors' Fees) and Board Committees (Board Committee Fees).
Fixed (per meeting)	Meeting allowance	<p>A payment shall be made to Non-Executive Directors on a per-meeting basis with a condition that attendance (physical or virtual) is a prerequisite for remittance.</p> <p>Meeting allowances are only to be accorded for official meetings with the presence of Company Secretary.</p> <p>Meeting allowance should not be extended for meetings that are occasioned as a result of adjourned agenda items.</p>
Fixed	Base salary	A monthly payment shall be provided to Executive Directors and Senior Management personnel for performing their day job.
Fixed (nature of benefits)	Benefits	Benefits may be provided to increase the economic security of Directors and Senior Management as an incentive to attract and retain talent.
Variable	Bonus	A performance based sum (paid via cash, shares or stock options) may be awarded to Executive Directors and Senior Management personnel for attaining or exceeding their assigned KPIs.

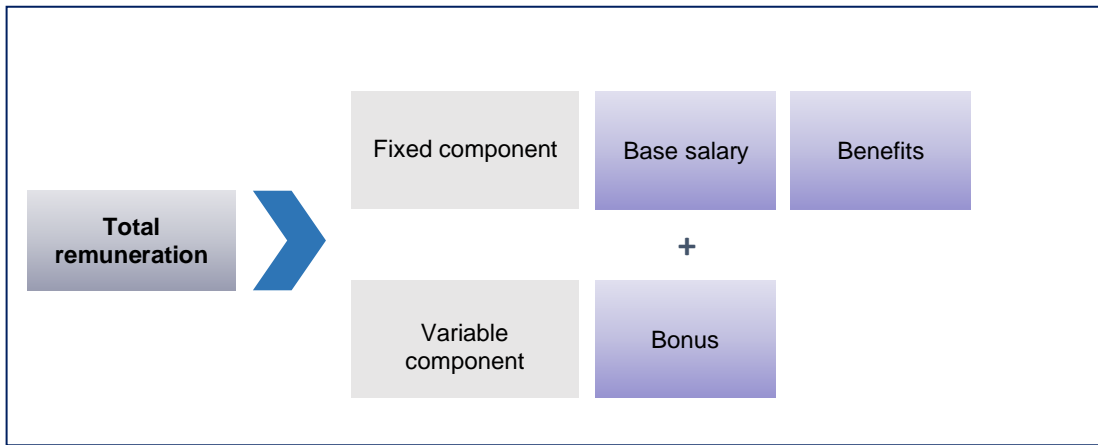
4.2 In addition, expenses (i.e. entertainment, travel and other expenses) incurred by Directors and Senior Management in discharging their duties relating to the ordinary course of Duopharma Biotech's activities shall be reimbursed accordingly. All claims reimbursements for Non-Executive Directors must be accompanied with the claims receipts and shall be submitted to the Company Secretarial Department and the Human Resource and Finance Departments (applicable to Executive Directors and Senior Management) for processing on a timely basis. Likewise, the submission of claims for Senior Management personnel shall be based on the internal procedures laid out.

4.3 In the event any "Board Travelling Reimbursement Scheme" and/or other scheme for reimbursement of expenses incurred by Non-Executive Directors is adopted by the Board from time to time, claims for reimbursements for Non-Executive Directors shall be in accordance with such scheme(s).

4.4 A typical remuneration structure for Non-Executive Directors of Duopharma Biotech is illustrated below:



4.5 A typical remuneration structure for Executive Directors and Senior Management of Duopharma Biotech is illustrated below:



5. Remuneration policy and procedures

5.1 Policy and procedures for Non-Executive Directors' remuneration

- 5.1.1 Duopharma Biotech's remuneration policy for Non-Executive Directors is to develop a remuneration structure that is commensurate with the Non-Executive Directors responsibilities at both the Board and Board Committee level and is sufficient to attract, incentivise and retain quality Non-Executive Directors.
- 5.1.2 The collective remuneration packages are recommended on the bases of their qualification, experience and competence, having regard to their responsibilities, time commitment and annual evaluation as undertaken by the NRC. In this regard, Chairman of the Board shall be remunerated with a higher retainer fee to reflect the additional responsibilities assumed by him or her. The Chairmen of the respective Board Committees shall also receive higher meeting allowance for chairing the respective meetings and for the additional work undertaken in the agenda setting.
- 5.1.3 As mentioned in the preceding section, Non-Executive Directors shall be paid via fixed retainer fees, meeting allowances and other benefits. As for meeting allowance, no distinction shall be made between participation in person and participation by video, teleconference or other electronic mode that permits Non-Executive Directors to participate.

5.2 Policy and procedures for Executive Directors and Senior Management remuneration

- 5.2.1 Duopharma Biotech policy for Executive Directors and Senior Management's remuneration is to ensure that the level of remuneration is generally set to provide market competitiveness to attract, retain and motivate Executives of the highest calibre to competently manage the Company.
- 5.2.2 The component parts of the remuneration shall therefore be structured to link the remuneration package with corporate and individual performance and take into account similar packages at comparable companies (of similar size and complexity to the Company locally; and in the same industry in the region).
- 5.2.3 The Company may discretionarily accord variable remuneration components in the form of short-term incentives (e.g. bonus payout) to recognise annual performance against predetermined targets and long term incentives (e.g. vesting stock options, cash settled share appreciation rights) to reward delivery of long-term strategic performance. As for Executive Directors and Senior Management who may be on short term contracts, the Company may opt to incorporate a long term reward dimension by instituting incentive schemes with additional time vesting that extends beyond the envisaged contract tenure of the concerned individuals (e.g. conditional vesting upon contract renewal or incorporation of long term hurdle rate in the incentive plan).
- 5.2.4 Any variable remuneration from the Company earned, awarded or paid out may be reduced, lapse or be reclaimed by the Company if and to the extent the variable remuneration has been earned, awarded or paid out on the basis of fraud, wilful

misconduct, gross negligence, incorrect or misleading information or that the conditions for earning, award or payment of variable remuneration have not been fulfilled, provided it is documented accordingly by the Company (i.e. malus and clawback provisions).

- 5.2.5 The performance of Executive Directors and Senior Management is measured based on the achievements of their annual KPIs (both qualitative and quantitative KPIs). The weightage of the qualitative and quantitative targets may be adjusted to accommodate Duopharma Biotech aspirations. In order to safeguard the independence and authority of individuals engaged in control functions or providing counsel (e.g. those heading the internal audit, risk and company secretarial functions), the remuneration of such individuals is based principally on the achievement of control functions objectives, and determined in a manner that is independent from the business lines they oversee.

Nature	Examples
Quantitative	Profit Before Tax (PBT), Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) or Return on Invested Capital (ROIC) and relative performance of Duopharma Biotech.
Qualitative	Strategic milestones and initiatives that need to be achieved and implemented on areas such as strategy, innovation, business development, synergy, human capital management, financial management and environmental, social and governance considerations.

- 5.2.6 The evaluation on the achievement of each of the KPIs by Senior Management against an agreed performance standard is reviewed by the Group Managing Director; whilst for Executive Directors (including the Group Managing Director), it is reviewed by the NRC. The rewards accorded to Executive Directors and Senior Management for their achievement of the respective KPIs shall comprise annual bonus and increment to their base salaries.

6. Governance of Remuneration

6.1 Oversight of remuneration

- 6.1.1 The NRC shall assist the Board in determining its policies and procedures on remuneration 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 Directors and Senior Management, Executive Directors and Senior Management. The policies and procedures are periodically reviewed by the NRC and the Board, and is made available on the Company's website ([Practice 7.1 of MCCG](#)).
- 6.1.2 The NRC shall implement its remuneration policies and procedures including reviewing and recommending matters relating to the remuneration of Board and Senior Management. The NRC has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the Company's website ([Practice 7.2 of MCCG](#)).

- 6.1.3 The remuneration policy and procedures shall be implemented with input from the control functions and the Risk Management and Sustainability Committee to ensure that risk exposures and risk outcomes are adequately considered. In considering the remuneration policy and procedures, the NRC may also enlist the expertise of external advisors where necessary.
- 6.1.4 Executive Directors do not form part of the composition of NRC (*Guidance to Practice 7.2 of MCCG*). As such, Executive Directors play no part in the deliberation or decision-making of their own remuneration matters but may attend the Nomination and Remuneration Committee meetings at the invitation of the Chairman of the Nomination and Remuneration Committee, if their presence is required.
- 6.1.5 The remuneration of Executive Directors and Senior Management is approved by the Board, as a whole, with the individual Executive Director abstaining from discussion of his/her own remuneration.

6.2 Directors and officers' liability insurance

- 6.2.1 Directors and Senior Management are accorded with Directors and Officers Liability Insurance in respect of any liability (civil or criminal) arising in the course of discharging their duties as Directors and Officers of Duopharma Biotech, provided that such liabilities were occasioned in good faith and not as a result of negligence, default or breach of duty (*Section 288 of Companies Act 2016*).
- 6.2.2 The Directors and Officers Liability Insurance premium shall be borne primarily by the Company separately. The premium paid does not form part of the benefits awarded to Directors and Senior Management or any other constituents of their remuneration packages.
- 6.2.3 The Directors and Officers Liability Insurance coverage shall be reviewed periodically to ascertain its adequacy against the changes in Company's size, operating and business model, footprint, risk exposure and other attendant complexities that may entail.

6.3 Approval of Directors fees, meeting allowance and benefits payable

- 6.3.1 The fees of the Directors, and any benefits payable to the Directors including any compensation for loss of employment of a Director or former Director of the Company and its subsidiaries shall be approved at the General Meeting (*Section 230(1) of CA 2016 and paragraph 7.24 of MMLR*).
- 6.3.2 Directors who are shareholders shall abstain from voting at General Meetings of Duopharma Biotech on the resolution to approve Directors' fees (*Guidance to Practice 7.2 of MCCG*).
- 6.3.3 The payment of Directors' fees and meeting allowance shall only be payable monthly in arrears after each month of completed service of the Directors during the financial year. The payment of Directors' fees and meeting allowance may alternatively be made on a less frequent basis, if requested by the Directors or the nominator of such Directors.

- 6.3.4 In instances whereby shareholders' approval is prospectively sought for the approval of Directors' fees, meeting allowance and benefits payable, the aggregate amount proposed in the resolution shall be amongst others premised on the existing quantum ascribed for the specific remuneration components, projected frequency of Board and Board Committee meetings that is based on the historical data of the immediate three preceding years, potential revisions in Board and Board Committee composition or configuration and time span of the approval sought.
- 6.3.5 A general mandate of shareholders shall not be sought for the approval of Directors fees and benefits payable (*Item 6 of Employees Provident Fund's Voting Guidelines*). The resolution contained in the notice seeking shareholders' approval for Directors' fees and benefits payable would include a quantitative breakdown of remuneration components (i.e. fees and benefits) and the corresponding period for which approval is sought.

6.4 Disclosure of remuneration

- 6.4.1 Directors' remuneration shall be disclosed in the annual report of Duopharma Biotech on a named and individual basis and by the exact amount. The remuneration breakdown shall amongst others include fees, salary, bonus, benefits-in-kind and other emoluments (as the case may be) (*Paragraph 11, Appendix 9C of MMLR and Practice 8.1 of MCCG*). The disclosure shall also cover Directors who were appointed or retired during the year.
- 6.4.2 The remuneration of all the Senior Management personnel constituting the Group Management Committee shall be disclosed on a named basis in bands of RM 50,000 (*Practice 8.2 of MCCG*). This shall include a breakdown of salary, bonus, benefits-in-kind and other emoluments (as the case may be). If the Group Management Committee comprises less than five Senior Management personnel, then the remuneration of the top five management personnel shall be disclosed on a named basis in bands of RM50,000, and in relation thereto, the top five management personnel would refer to the Senior Management personnel constituting the Group Management Committee plus such number of the highest paid management personnel of Duopharma Biotech to comprise the shortfall in the requisite top five management personnel.
- 6.4.3 The service contracts of Directors shall upon request be made available for inspection by shareholders holding at least five per cent of the total paid up capital of the Company and any details of remuneration in that contracts are, therefore, accessible (*Section 233(1) of CA 2016*).

7. Review of the Policy and Procedures

- 7.1 This Policy and Procedures has been endorsed by the Board, upon recommendation by the NRC. The Policy and Procedures shall be reviewed periodically or as and when it is necessary.
- 7.2 The NRC, with the support of the Company Secretary, shall ensure that the provisions of this Policy and Procedures continue to comply with the legal requirements and corporate governance requirements and, if necessary, shall suggest amendments to this Policy and Procedures for consideration by the Board.

The Document is revised and approved by the Board on 9 December 2021.