

REMUNERATION POLICY

1. GENERAL PRINCIPLES

The remuneration policy reflects the need to attract, motivate and retain Directors including calibre executives with the relevant experience, qualification and expertise required to assist in managing the Company effectively.

The main principles of the policy are:

- Individual remuneration packages shall reflect each person's experience, level of responsibility, contribution and effectiveness to the Company's performance and wellbeing and must be sufficient and relevant to attract and retain persons of calibre. Packages linked to corporate performance in particular, must be fair and balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages.
- Total reward levels shall commensurate with the competitive market and business environment in which the Company operates.
- The overall remuneration policy encourages sound and effective risk management. Remuneration shall not induce excessive risk-taking and shall be consistent with the risk appetite and the long-term strategy of the Company.
- The remuneration structure is continuously assessed to ensure it achieves its objective consideration of being comparable to other companies and is considered competitive and consistent with the Company's culture, objective and strategy.
- The remuneration policy considers rewards within the context of the Malaysian regulatory framework and shareholders' views.

2. REMUNERATION POLICY AND PROCEDURE

The main principles of the remuneration policy for the Executive Directors (including the Chief Executive Officer/Managing Director), the Non-Executive Directors and Senior Management are as follows:

(a) Executive Directors

- Salaries payable to Executive Directors shall not include a commission on or percentage of turnover. The total remuneration will be set in relation to the relevant and competitive employment market.
- The remuneration packages are structured to link rewards to corporate and individual performance to encourage high performance standards whilst not creating incentives for irresponsible behaviour and insider excesses.
- The reward structure is reflective of the relative importance of those elements that are performance-related and those which are fixed.
- A fairly significant proportion of the remuneration may be based on the performance-related reward.
- The Executive Directors' reward should be aligned with the interest and objectives of the shareholders. Consequently, the performance targets governing the incentive should encompass the demanding comparison of the shareholders' returns and earnings with those of other companies in the industry.
- The wider scene in relation to the employment conditions and benefits attributable to the Pacific & Orient Berhad Group should be taken into account when determining a fair and equitable reward.

(b) Non-Executive Directors

- The determination of the remuneration of Non-Executive Directors is a matter for the Board of Directors of the Company ("the Board") as a whole subject to approval of the shareholders at the Annual General Meeting and in conformity with the Company's Constitution.
- The remuneration payable to Non-Executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover and reflects their experience and level of responsibilities undertaken and contribution to the effective functioning of the Board and its committees.

(c) Senior Management

- The remuneration payable to Senior Management is linked to the achievement of the individual's areas of responsibility/project success/performance targets whilst engendering responsible risk behaviour.

(d) Employees in Control Functions (includes Internal Audit and Risk Management)

- Remuneration for employees in control functions shall be principally based on the Company's/Group's overall performance as well as achievement of their control objectives without compromising their independence.
- The compensation of employees in control functions is set at sufficient levels to ensure that competent and experienced professionals can be attracted and retained across business cycles.

3. REVIEW OF POLICY

This remuneration policy has been approved by the Board and formalised on the basis of flexibility to take into account of changes in the Company's business environment and development and any such proposed revision shall be subject to the endorsement of the Board.

The remuneration packages shall not be decided by the exercise of sole discretion of any one individual or restricted group individuals but by the Board and members of the Committee shall abstain from participating in discussion and decision on incentives directly involving them.