

REMUNERATION POLICY

The remuneration policy considers rewards within the context of the Malaysian regulatory framework and shareholders' views, and is guided by Bank Negara Malaysia's policy document on Corporate Governance.

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:

- The overall remuneration system shall:
 - (a) be subject to the Board's active oversight to ensure that the system operates as intended;
 - (b) be in line with the business and risk strategies, corporate values and long-term interests of the Company;
 - (c) ensure that the total reward levels is commensurate with the competitive market and business environment in which the Company operates;
 - (d) be continuously assessed to ensure it achieves its objective consideration of being comparable to other companies in the insurance industry;
 - (e) promote prudent risk-taking behaviour and encourage individuals to act in the interests of the Company as a whole, taking into account the interests of its customers; and
 - (f) be designed and implemented with input from the control of functions and the Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered.

- Remuneration of Directors
 - The remuneration of each Director shall be approved by the Board annually.
 - Remuneration of the Executive Directors (including the Chief Executive Officer) shall be as follows:
 - The total remuneration shall be set in relation to the relevant and competitive employment market.
 - The remuneration packages shall be structured to link rewards to corporate and individual performance to encourage high performance standards while not creating incentives for irresponsible behaviour and insider excesses.
 - The reward structure shall be 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 shall 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 shall be taken into account when determining a fair and equitable reward.
 - Remuneration of the Non-Executive Directors shall be as follows:
 - The determination of remuneration of Non-Executive Directors shall be a matter for 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 shall reflect their experience and level of responsibilities undertaken and contribution to the effective functioning of the Board and its committees.
- Remuneration of Senior Management and Other Material Risk Takers
 - Individual remuneration packages shall, first and foremost, 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, shall be fair and balanced against the need to ensure that the funds of the Company are not used to subsidise excessive remuneration packages.
 - Remuneration for individuals within the Company shall be aligned with prudent risk-taking. Remuneration outcomes shall be symmetric with risk outcomes. This includes ensuring that:
 - (a) remuneration is adjusted to account for all types of risks, and must be determined by both quantitative measures and qualitative judgement;
 - (b) the size of the bonus pool is linked to the overall performance of the Company;
 - (c) incentive payments are linked to the contribution of the individual and business unit to the overall performance of the Company;
 - (d) bonuses are not guaranteed, except in the context of sign-on bonuses;
 - (e) for members of senior management and other material risk takers:
 - (i) a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business unit and institution-wide measures that adequately assess performance;
 - (ii) the variable portion of remuneration increases along with the individual's level of accountability; and
 - (iii) the remuneration is approved by the Board annually.

- For the purpose of this Remuneration Policy, the Company has defined “other material risk takers” as an officer who is not a member of senior management and who:
 - (a) can materially commit or control significant amounts of the Company’s resources or whose actions are likely to have a significant impact on its risk profile; or
 - (b) is among the most highly remunerated officers in the Company.

Other material risk takers can be categorised into two categories:

- (a) Key Responsible Persons (Other than Employees in Control Functions and the Company Secretary)

Such person refers to any person performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities of the Company, including a person who:

- a) has the authority over, makes or has substantial influence in making decisions that affect the whole or a substantial part of the Company’s business;
- b) is principally accountable or responsible, whether solely or jointly with other persons, for implementing and enforcing policies and strategies approved by the Board; or
- c) is principally accountable or responsible, whether solely or jointly with other persons, for developing and implementing systems, internal controls and processes that identify, measure, monitor or control the Company’s risks.

Remuneration payable to Key Responsible Persons is linked to the achievement of the individual Key Responsible Person’s areas of responsibility/project success/performance targets while engendering responsible risk behaviors.

- (b) Employees in Control Functions

“Control function” refers to a function that has a responsibility independent from business lines to provide objective assessment, reporting and assurance on the effectiveness of the Company’s policies and operations, and its compliance with legal and regulatory obligations. This includes the risk management function, the compliance function, and the internal audit function.

Remuneration of such individuals is based principally on the achievement of their control functions’ objectives and determined in a manner that is independent from the business lines they oversee. The remuneration is set at sufficient levels to ensure that competent and experienced professionals can be attracted and retained across business cycles.

The Company shall maintain and regularly review a list of officers who fall within the definition of “other material risk takers”.

This remuneration policy has been approved by the Board and formalised on the basis of flexibility to take account of changes in the Company's business environment and development. It is subject to periodic Board review. 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 whole Board and members of the Committee shall abstain from participating in discussion and decision on incentives directly involving them.

This Policy was revised and approved by the Board on 25 August 2020.