

# **Remuneration Policy and Procedures for Directors and Senior Management**

IOI Properties Group Berhad (1035807-A)

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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 Governance, Nominating and Remuneration Committee (“GNRC”) of IOI Properties Group Berhad (“IOIPG” or the “Company”) to administer the **remuneration of its Directors and Senior Management**, taking into account the demands, complexities and performance of the Company and its subsidiaries (collectively referred to as the “Group”) as well as skills and experience required.
- 1.1.2 This Document seeks to set out an overarching framework for the development of a fair and transparent framework for the remuneration of Directors and Senior Management of IOIPG.

### 1.2 Scope and application

- 1.2.1 This Document should be read together with the relevant enumerations encapsulated in the following legislations:
- (a) Companies Act 2016;
  - (b) Capital Markets and Services Act 2007 (Amendment 2012); and
  - (c) Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).
- 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 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 or other corporate governance promulgations, they are indicated accordingly in italics.
- 1.2.4 This Document will be reviewed periodically by the GNRC and be made available on the Company’s website.

### 1.3 Definition and interpretation

- 1.3.1 Executive Director – A Director who assumes management responsibilities in IOIPG.
- 1.3.2 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 judgment 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](#).
- 1.3.3 Major shareholder – A person who has an interest in 10% or more of the total number of voting shares in IOIPG.
- 1.3.4 Senior Management – C-suite members and General Managers or equivalent<sup>1</sup>.

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<sup>1</sup> Include the two Chief Operating Officers of Property Development and Property Investment, Chief Financial Officer, General Manager of Corporate Communication and Sustainability, Company Secretary, Senior General Managers and General Managers.

- 1.3.5 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, base salary, bonus and benefits.
- 1.3.6 Risk appetite – Aggregate level and types of risk IOIPG is willing to assume, decided in advance and within its risk capacity, to achieve IOIPG business objectives and strategies.
- 1.3.7 Share option – A right to buy a certain number of IOIPG shares at a predetermined price.

## 2. Remuneration philosophy

- 2.1 The remuneration practices of IOIPG are anchored on the following overarching objectives:
  - (a) Drive behaviour that is consistent with IOIPG's core values (i.e. Integrity, Commitment, Loyalty, Excellence in Execution, Speed or Timeliness, Innovativeness and Cost Efficiency);
  - (b) Promote symmetric outcomes with the risk appetite of IOIPG by encouraging prudent risk taking in decision-making and the undertaking of business activities;
  - (c) Deliver a total reward proposition that is affordable yet competitive, fair and justifiably differentiated so as to incentivise actions towards the value accretion of the Group;
  - (d) Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy; and
  - (e) 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 IOIPG is guided by the following four (4) principles in determining its approach for the remuneration framework of Directors and Senior Management:

### **Principle 1: Simple**

The framework should be simple and transparent for all stakeholders to understand.

### **Principle 2: Competitive and fair**

Retaining leaders of the necessary calibre requires remuneration arrangements that are competitive in the marketplace. As such, talents are attracted and remunerated fairly by reflecting the appropriate market rates for the skills and experience acquired. IOIPG remains cognisant of the need to ensure value for money whilst simultaneously reflecting the status of its Group as a leading conglomerate in the marketplace.

### **Principle 3: Performance oriented**

The remuneration packages reward performance in areas that are most important to shareholders and other stakeholders.

### **Principle 4: Aligned with the overall remuneration practices of the Group**

Remuneration structures are aligned to the context of the broader employee remuneration to ensure fair and responsible remuneration practices.

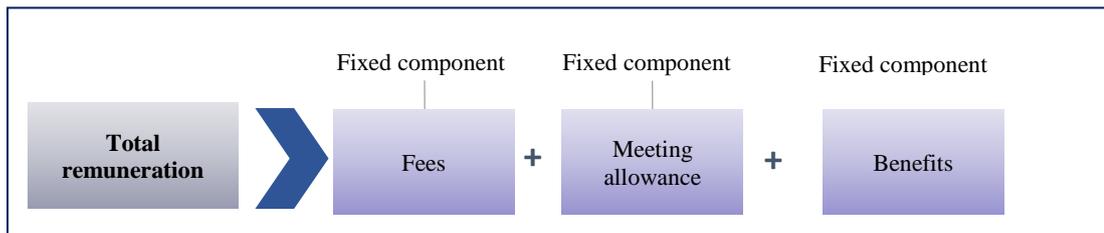
#### 4. Remuneration structure

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

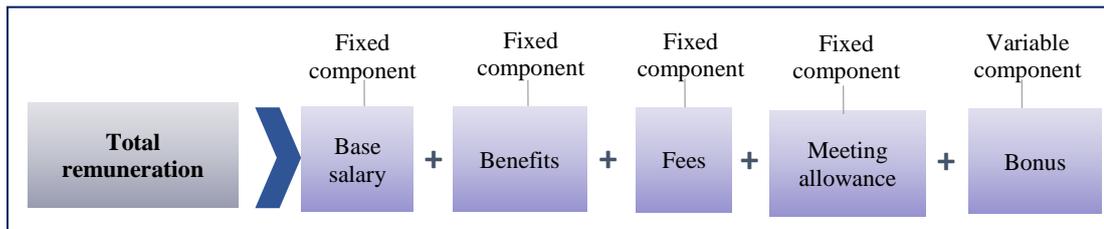
Category-Fixed/Variable	Component	Component description
Fixed	Fees	A fixed sum shall be provided to Directors for their ongoing contribution to the Board.
Fixed	Meeting allowance	A payment shall be made to Directors on a per-meeting basis with a condition that attendance (physical or virtual) is a prerequisite for remittance.
Fixed	Base salary	A monthly payment shall be provided to Executive Directors and Senior Management personnel for performing their day job.
Fixed	Benefits	<p>Benefits may be provided to increase the economic security of Directors and Senior Management personnel and as an incentive to attract and retain talent.</p> <p>The Company provides Directors' and Officers' Liability Insurance and may provide an indemnity to the fullest extent permitted by the Companies Act 2016.</p> <p>In addition to statutory contributions, Executive Directors and Senior Management personnel may be provided with benefits such as travelling allowance, leave passage, driver, vehicle expenses, utilities benefits, medical benefits and insurance coverage.</p>
Variable	Bonus	<p>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 key performance indicators ("KPIs").</p> <p>Bonus for the following personnel shall be fixed as:</p> <ul style="list-style-type: none"> <li>▪ Executive Chairman: 2% of profit after taxation and minority interest on a consolidated basis; and</li> <li>▪ Chief Executive Officer ("CEO"): 1% of profit after taxation and minority interest on a consolidated basis.</li> </ul>

4.2 In addition, expenses (e.g. entertainment and travel expenses) incurred by Directors and Senior Management in discharging their duties relating to the ordinary course of IOIPG's business activities shall be reimbursed accordingly upon approval in accordance with the Company's Limits of Authority. All reimbursements must be accompanied with the claimable receipts and shall be submitted to the Company Secretarial Department (applicable to Non-Executive Directors) and Human Resource Department (applicable to Executive Directors and Senior Management) for processing on a timely basis.

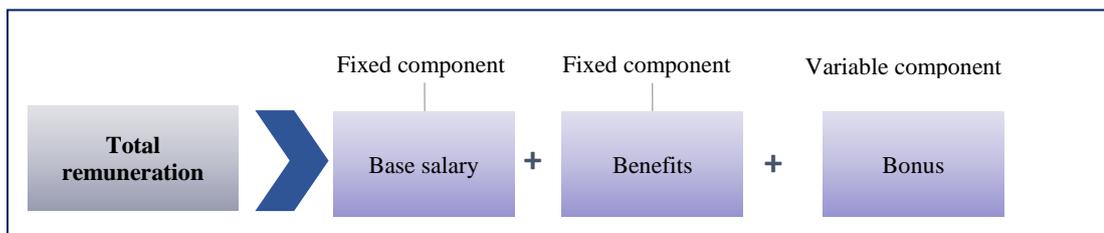
4.3 A typical remuneration structure for Non-Executive Directors of IOIPG is illustrated below:



4.4 A typical remuneration structure for Executive Directors of IOIPG is illustrated below:



4.5 A typical remuneration structure for Senior Management personnel that are not holding a directorship position in IOIPG is illustrated below:



## 5. Remuneration policy and procedures

IOIPG is guided by the following principles in remunerating its Directors and Senior Management:

- (a) 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 Listing Requirements](#));
- (b) 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 Listing Requirements](#));
- (c) Salaries payable to Executive Directors shall not include a commission on or percentage of turnover ([paragraph 7.23 of Listing Requirements](#));
- (d) The maxim “pay for performance” is adopted in remunerating Executive Directors and Senior Management to promote the long-term success of IOIPG. Performance is measured based on a holistic balanced scorecard approach comprising both financial and non-financial KPIs (as outlined in paragraph 5.2.3);
- (e) Share options, if granted to Executive Directors and Senior Management generally 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;
- (f) In order to safeguard the independence and authority of Senior Management personnel that are engaged in control functions, 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; and

- (g) Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of IOIPG remuneration packages vis-à-vis other companies. However, such comparisons will be utilised with caution, in view of the risk of an upward ratchet in the remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary.

**5.1 Policy and procedures for remunerating Non-Executive Directors**

- 5.1.1 IOIPG'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 Non-Executive Directors' remuneration packages shall be determined on the basis of their qualification, experience, level of responsibility and competence, having regard to their responsibilities, time commitment and annual evaluation as undertaken by the GNRC (refer to the criteria contained in the Board Effectiveness Evaluation instruments).
- 5.1.4 As mentioned in the preceding section, Non-Executive Directors shall be paid via fixed fees, meeting allowances and other benefits. As for meeting allowance, no distinction shall be made between participation in person and virtual participation by video, teleconference or other electronic mode that permits Non-Executive Directors to participate. Virtual participation during meetings will constitute attendance and meeting allowance will be accorded accordingly.

**5.2 Policy and procedures for remunerating Executive Directors and Senior Management**

- 5.2.1 IOIPG's policy for Executive Directors and Senior Management personnel's remuneration is to ensure that the level of remuneration is generally competitive to attract, retain and motivate Executives of the highest calibre to competently manage the Group.
- 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 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 IOIPG's aspirations.

Nature	Examples
Quantitative	Profit after taxation and minority interest on a consolidated basis and other relative performance indicators of IOIPG.
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 societal development.

- 5.2.4 The evaluation on the achievement of each of the KPIs by Senior Management against an agreed performance standard is reviewed by the CEO; whilst for Executive Directors (including Executive Chairman and CEO), it is reviewed by the GNRC and Board. 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.
- 5.2.5 There should not be any ex-gratia or agreed upon severance payment granted to any Executive Directors or Senior Management.

## 6. Governance of remuneration

### 6.1 Oversight of remuneration

- 6.1.1 The GNRC shall assist the Board in implementing its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of Directors and Senior Management (*Practice 6.1 of MCCG*).
- 6.1.2 The GNRC shall develop and administer fair and transparent procedures for setting policy on remuneration of Directors and Senior Management so as to ensure that remuneration packages are determined on the bases of the Directors and Senior Management personnel's merit, qualification and competence, having regard to the Group's operating results, individual performance and comparable market statistics (*Guidance to Practice 6.2 of MCCG*).
- 6.1.3 The remuneration policy and procedures shall be implemented with input from the control functions and the Audit and Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered. In considering the remuneration policy and procedures, the GNRC may also enlist the expertise of external advisors where necessary.
- 6.1.4 Executive Directors do not form part of the composition of the GNRC (*Guidance to Practice 6.2 of MCCG*). As such, Executive Directors play no part in the deliberation or decision-making of their own remuneration matters but the CEO may attend the GNRC meetings at the invitation of the Chairman of the GNRC, if his presence is required.
- 6.1.5 The remuneration of Executive Directors (in relation to the components of salary and bonus) shall be approved by the Board, with the individual Executive Director abstaining from discussion of his/her own remuneration. The remuneration of Senior Management personnel shall be approved by the CEO.

### 6.2 Directors and Officers Liability Insurance

- 6.2.1 Directors 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 IOIPG 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, and partially by the Directors. The premium paid does not form part of the benefits awarded to Directors as part of their remuneration packages.

### 6.3 Approval of Directors fees 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 Companies Act 2016 and paragraph 7.24 of Listing Requirements*].
- 6.3.2 Approval of Directors fees and benefits payable may be sought in a prospective or retrospective manner. However, payment of Directors' fees shall only be payable quarterly in arrears after each month of completed service of the Directors during the financial year.

- 6.3.4 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 on a named and individual basis and by the exact amount, both at Company level and Group level. The remuneration breakdown shall amongst others include fees, salary, bonus and other benefits as the case may be (*paragraph 11, Appendix 9C of Listing Requirements and Practice 7.1 of MCCG*). The disclosure shall also include Directors who were appointed or retired during the year.

### **7. Review of the Policy and Procedures**

- 7.1 This Policy and Procedures has been endorsed by the Board, upon recommendation by the GNRC. This policy shall be reviewed periodically or as and when it is necessary.
- 7.2 The GNRC, 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.

This Document is revised and approved by the Board on 7 September 2018.