



REMUNERATION POLICY AND PROCEDURES FOR NON-EXECUTIVE DIRECTORS

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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 Sentral REIT Management Sdn Bhd ("SRM" or the "Company") as the Manager of Sentral REIT to administer the **remuneration of its Non-Executive Directors**, taking into account the demands, complexities and performance of the Company as well as skills, experience, time commitment required and responsibilities reposed on the Non-Executive Directors.
- 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 Non-Executive Directors of SRM.

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**; and
 - (b) **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 References made to the nomenclature "Directors" shall also include Non-Executive Directors as they fall within the said remit.
- 1.2.4 Where applicable, words importing one gender include the other gender and words importing the singular include the plural and vice versa.
- 1.2.5 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*.
- 1.2.6 This Document will be reviewed periodically by the NRC and the Board of SRM and made available on the Company's website.

1.3 Definition and interpretation

- 1.3.1 Non-Executive Director – A Director who does not assume management responsibilities in SRM. A Non-Executive Director may be an Independent Director or a Non-Independent Director.
- 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 Nominee Director - A Director who is appointed as a representative of a shareholder *(Section 217 of Companies Act 2016)*. Such a Director would be a Non-Independent Non-Executive Director.

- 1.3.4 Major shareholder – A person who has an interest in 10% or more of the total number of voting shares in SRM.
- 1.3.5 Per diem – Payment in the form of a daily rate allowance (amount subject to deliberation by the NRC) that is accorded to Non-Executive Directors for attending formal meetings, events or engagement sessions, outside the normal course of the boardroom that last for more than three hours (excluding actual travel time). Any remittance of per diem should be mutually exclusive of a meeting allowance payment.
- 1.3.6 Remuneration – All forms of consideration rendered to Non-Executive Directors in exchange for the services. This includes, inter alia, fees, meeting allowances and benefits.
- 1.3.7 Risk appetite – Aggregate level and types of risk SRM is willing to assume, decided in advance and within its risk capacity, to achieve SRM's business objectives and strategies.

2. Remuneration philosophy

- 2.1 The remuneration practices of SRM's Non-Executive Directors are anchored on the following overarching objectives:
 - (a) Drive behaviour that is consistent with SRM's core values;
 - (b) Promote symmetric outcomes with the risk appetite of SRM by encouraging prudent risk taking in decision-making;
 - (c) Deliver a total reward proposition that is affordable yet fair so as to incentivise actions towards the value accretion of SRM;
 - (d) Aligning SRM's Environmental, Social and Governance ("ESG") considerations with the strategic direction of the Company;
 - (e) Attract and retain high-quality individuals with the optimum mixture of competencies, ability, experience and skill to deliver on strategy; and
 - (f) Encourage a culture of collective and individual performance that is in line with the strategic goals of SRM.

3. Remuneration principles

- 3.1 SRM is guided by the following four (4) principles in determining its approach for the remuneration framework of Non-Executive Directors.

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, Non-Executive Directors are attracted and remunerated fairly by reflecting the appropriate market rates for the skills and experience acquired. SRM remains cognisant of the need to ensure that the remuneration accorded is value for money whilst simultaneously reflecting the status of the Company one of the leading REIT Managers within corporate Malaysia.

Principle 3: Performance accounted

Whilst the remuneration of Non-Executive Directors should not be pegged to headline performance indicators of the Company, the said remuneration packages should give due cognisance to the achievement of sustainable performance by the Company as Non-Executive Directors should be held accountable for their resolve to steer the course of SRM's strategies for long-term sustainable growth, taking into account achievements over both financial and non-financial fronts, including ESG considerations that underpin the Company's strategic direction.

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".

4. Remuneration structure

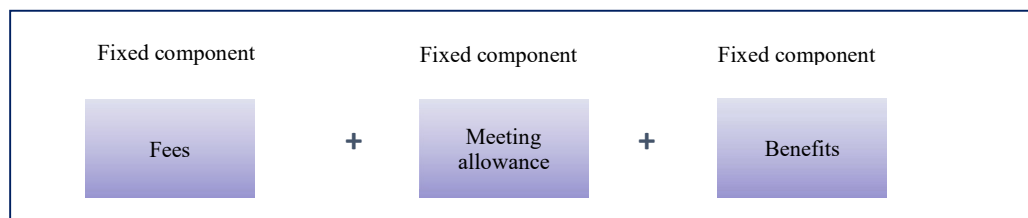
- 4.1 The table below summarises the main components that shall form the remuneration packages of Non-Executive Directors of SRM:

Category-Fixed/Variable	Component	Component description
Fixed	Fees	A fixed sum shall be provided to Non-Executive Directors for their ongoing contribution to the Board (Directors' Fees) and Board Committees (Board Committee Fees for Audit & Risk Committee; and Nomination & Remuneration Committee).
Fixed	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	Benefits	<p>Benefits may be provided to increase the economic security of Non-Executive Directors as an incentive to attract and retain talent.</p> <p>Non-Executive Directors may be provided with benefits such as medical benefits and life insurance.</p> <p>In addition to the aforementioned benefits, the Chairman of the Board shall be entitled for Company car (inclusive of driver).</p>

- 4.2 Expenses (i.e. travel expenses) incurred by Non-Executive Directors in discharging their duties relating to the ordinary course of SRM's affairs shall be reimbursed accordingly upon approval in accordance with the Company's Authorization Limits. All reimbursements must be accompanied with the claimable receipts and shall be submitted to the Company Secretarial Department for processing on a timely basis.

4.3 In addition to travel expenses, Non-Executive Directors who reside outside Klang Valley are entitled to claim for a daily rate allowance (that is equivalent to the per diem quantum) in lieu of ancillary expenses (e.g. food, accommodation) incurred for the purpose of attending Board and Board Committee meetings.

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



5. Remuneration policy and procedures

SRM is guided by the following principles in remunerating its Non-Executive Directors:

- (a) In the case of a private company, the Board may, subject to the constitution approve 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 ([Section 230\(2\) of Companies Act 2016](#));
- (b) 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](#));
- (c) Independent Non-Executive 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](#));
- (d) Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of 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 SRM'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 high-calibre Non-Executive Directors.
- 5.1.2 Non-Executive Directors' remuneration packages shall be determined on the bases of their qualification, experience, level of responsibility and competence, having regard to their responsibilities, time commitment and annual evaluation as undertaken by the NRC.
- 5.1.3 Non-Executive Directors shall be paid via fixed fees, meeting allowances and other benefits (as the case may be). Non-Executive Directors shall not be entitled for any gratuity, ex gratia or agreed upon severance payments.

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- 5.1.4 As for meeting allowance, it shall be accorded for official meetings with the presence of the Company Secretary. No distinction shall be made between participation in person and virtual participation by video, teleconference or other electronic modes that permit Non-Executive Directors to participate. Virtual participation during meetings will constitute attendance and as such, meeting allowance will be accorded accordingly.
- 5.1.5 In-camera meetings amongst Board members to discuss special interest matters represent private and informal sessions. Given the ad-hoc nature of in-camera sessions, there shall not be any additional entitlement to a separate fee. However, the Non-Executive Directors are entitled to receive meeting allowance for attending in-camera meetings at a standard rate of a Board meeting allowance.
- 5.1.6 Disbursement of remuneration to Nominee Directors shall be guided by the respective policy of the shareholder that nominated the said Director to represent its interests.
- 5.1.7 Benefits-in-kind are provided for utility of the Non-Executive Directors as an added heft by leveraging the company-level assets (e.g. car and driver) or pooled expenses/common cost at the company level (e.g. medical and health insurance) and as such, they are not to be cashed out or monetised by individual Non-Executive Director in the event of a request on the same.
- 5.1.8 As a taxable service provider, a Non-Executive Director is liable to be a Service Tax registrant if there are reasonable grounds for believing that the total value of his or her taxable services in that month and the eleven months immediately succeeding that month will exceed RM 500,000 ([Section 12 of Service Tax Act 2018 and First Schedule of Service Tax Regulations 2018](#)). The Service Tax applicable on the remuneration payable to such Non-Executive Directors applies to fees and meeting allowances based on the [Service Tax 2018, Guide on: Professional Services \(revised\) as at 21 September 2021](#) and shall be borne by the Company at the prevailing rate of 6%, as stipulated under the [Service Tax \(Rate of Tax\) Order 2018](#).
- 5.1.9 In the event any individual is appointed as an Alternate Director for a Non-Executive Director, any remuneration paid by the Company to the Alternate Director shall be deducted from that Non-Executive Director's remuneration ([paragraph 7.31 of Listing Requirements](#)).

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 of directors, 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 non-executive directors and executive directors. 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. 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 In considering the remuneration policy and procedures, the NRC may also enlist the expertise of external advisors where necessary.

6.2 Liability Insurance

- 6.2.1 Non-Executive 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 SRM, 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 Non-Executive Directors 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 Non-Executive Directors fees, meeting allowance and benefits payable

- 6.3.1 As iterated in **Section 5 (a)** above, in the case of a private company, the Board may, subject to the constitution approve 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 ([Section 230\(2\) of Companies Act 2016](#)).
- 6.3.2 The payment of Non-Executive Directors' fees shall only be payable on quarterly basis after the financial year is completed and the Non-Executive Directors' fees are approved by the Board of Directors and the Shareholders of the Company. The meeting allowance can be paid upon conclusion of the respective meeting whilst benefit payable can be rendered upon crystallisation of its corresponding occasion.
- 6.3.3 In instances whereby the Board's approval is sought for the approval of Non-Executive Directors' fees, meeting allowance and benefits payable, the aggregate amount proposed in the resolution shall be premised on the existing quantum ascribed for the specific remuneration components with a projected frequency of Board and Board Committee meetings that is based on the historical data of the immediate three preceding years. Any buffer embedded in the aggregate amount proposed shall not exceed an overall maximum limit of 10% of the total projected quantum.

6.4 Disclosure of remuneration

- 6.4.1 Non-Executive Directors' remuneration shall be disclosed in the annual report and/or corporate governance report of the REIT (i.e. Sentral REIT) managed by the Company on a named and individual basis and by the exact amount. The remuneration breakdown shall amongst others include fees, meeting allowance and benefits, as the case may be ([paragraph 11, Appendix 9C of Listing Requirements and Practice 8.1 of MCGG](#)). The disclosure shall also cover Non-Executive 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 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.