

REMUNERATION POLICY

1. Introduction

The policy sets out the criteria to be used in recommending the remuneration package of Directors, Managing Director (“MD”) and Senior Management of Perusahaan Sadur Timah Malaysia (Perstima) Berhad (“Perstima” or the “Company”) and is in line with the best practice provisions of Malaysian Code on Corporate Governance (“MCCG”).

2. Objectives

2.1 This policy is designed to:–

- a) Determine the level of remuneration package of Directors, MD and Senior Management;
- b) Attract, develop and retain high performing and motivated Directors, MD and Senior Management with a competitive remuneration package;
- c) Provide a remuneration such that the Directors, MD and Senior Management are paid a remuneration commensurate with the responsibilities of their position; and
- d) The remuneration shall be based on conditions that are market competitive and at the same time aligned with shareholders’ interest. Hence, encourage value creation for the Company and its stakeholders.

3. Executive Directors’ Remuneration

Remuneration of each Executive Director shall be determined by the Board within the framework of this policy. As applicable, the Board shall consider the recommendations made by the Remuneration Committee for the purpose of determining the remuneration of an Executive Director.

The total remuneration package of the Executive Directors may consist of:–

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- Base salary; and
- Other benefits such as company car, representation allowance or other benefits required for the execution of the role of the individual director of the Board.

4. Non-Executive Directors Remuneration

Remuneration of the Non-Executive Directors shall be approved or disapproved by the General Meeting based upon a proposal of the Board (as recommended by the Remuneration Committee) made within the framework of this policy. To ensure that remuneration of the Non-Executive Directors is aligned with the interests of shareholders a proportion of the remuneration package is variable and dependent on the long-term performance of the Company as a whole.

5. Balance between Remuneration Elements

For Executive Directors, part of the variable portion of the remuneration package is also dependent on short-term performance. The Remuneration Committee will decide the ratio between the fixed and variable element, taking into account the Corporate Governance Code of the Company.

6. Remuneration Components

6.1. Fixed Remuneration for MD, Executive Directors and Senior Management.

6.1.1 The fixed salary is determined according to:-

- The scope of the duty and responsibilities;
- The conditions and experiences required;
- The ethical values, internal balances and strategic targets of the Company;
- The corporate and individual performance; and
- Current market rate within the industry and in comparable companies.

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6.2 Bonus

The bonus in the case of MD, Executive Directors and Senior Management (and indeed all employees) is designed to reward outstanding performance. The bonus is granted to reflect the MD, Executive Directors and Senior Management's performance as well as Group results. A discretionary assessment is made to ensure that all factors which include measurable and not directly measurable are considered. Full details of the scheme and bonus payments can be found within the Company's annual report.

6.3 Fixed Fee for Members of Board of Directors

The fixed remuneration is determined according to:-

- On par with the rest of market;
- Reflect the qualifications and contribution required in view of the Group's complexity;
- The extent of the duty and responsibilities;
- The number of Board meetings; and
- The corporate and individual performance.

6.4 Other Benefits and Allowances

The benefits and allowances which should be decided by Board as a whole include:-

- Chairman's allowance;
- Meeting allowance;
- Expenses incurred in the course of their duties as Directors; and
- Benefits in kind such as motor vehicle, petrol, driver and accommodation.

7. Remuneration Procedures

Directors

- 7.1. The Remuneration Committee reviews and approves the annual salaries, incentive arrangements, service arrangements and other employment conditions for the Executive Directors.
- 7.2. The Remuneration Committee keeps abreast of the terms and conditions of service of the Executive Directors, their total remuneration package for market comparability.
- 7.3. The determination of the remuneration for Non-Executive Directors is a matter for the Board as a whole. The Executive Directors are not present when matters affecting their own remuneration arrangements are considered.

Senior Management

- 7.4. The remuneration of Senior Management shall be structured to link rewards to the corporate and individual performance and shall take into consideration on the remuneration paid to them of other similar companies, whether in size and/or industry, the individual performance and responsibility, market competitiveness as well as the Group's overall performance which are closely aligned to the objectives of the Company.
- 7.5. The performance incentive given to the Senior Management shall be based on internally developed detailed performance related matrix which is prepared and verified by the Human Resource Department of the Group.
- 7.6. The Senior Management who report to the MD or Executive Director(s) are evaluated annually by the MD or Executive Director(s) respectively premised on annual measurements and targets set. Thereafter, the MD or Executive Director(s)

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recommends the remuneration levels for the Senior Management to the Remuneration Committee for approval.

The Remuneration Policy for Directors and Senior Management is in line with the Group's overall practice on compensation and benefits, which is to reward employees competitively, taking into account performance, market comparisons and competitive pressures in the industry. Whilst not seeking to maintain a strict market position, it takes into account comparable roles in similar organisations.

The Remuneration Committee should conduct a periodic review of the criteria to be used in the recommending the remuneration package of Directors and MD. The Remuneration Committee should promptly communicate the new changes or amendments of the criteria to the Board and individual Directors.

The Remuneration Committee ensures that the Remuneration Policy supports the Company's objectives and shareholder value and is consistent with the Company's culture and strategy.

8. Other Policy on Remuneration

a) Policy on Service Contracts

In relation to contracts with Executive Directors, the Remuneration Committee aims to set notice or contract periods at one year. If it is necessary to offer longer notice or contract periods to new directors recruited from outside the Group, it is the Company's policy to reduce these as soon as contractually possible after the initial period to a notice period of one year.

Both Executive and Non-Executive Directors are subject to election by shareholders at the first annual general meeting following their appointment and thereafter require re-election at least once every three years. The appointment of a Non-Executive Director may be terminated without compensation if that director

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is not re-elected by shareholders or otherwise in accordance with the Company's Constitution.

The Remuneration Committee reviews the contracts of executives on an annual basis to ensure they are in line with policy and market practice.

Executive directors are permitted, where appropriate and with Board approval, to take non-executive directorships with other organizations in order to broaden their knowledge and experience in other markets and countries.

The service contracts of Executive Directors and the letters of appointment of Non-Executive Directors prohibit the disclosure of confidential information relating to the Group both during the term of the contract and after its termination. The letters of appointment of Non-Executive Directors and service contracts of Executive Directors are available for inspection at the Company's registered office during normal business.

9. Periodic Review and Disclosure

9.1. This policy shall be reviewed by the Remuneration Committee as and whenever necessary. The Board should disclose this policy in the annual report and published on the Company's website.

This policy is dated 5 July 2018.