



PENGURUSAN AIR SELANGOR SDN. BHD.

[Company No.: 201401006213 (1082296-U)]

REMUNERATION POLICY AND PROCEDURES

(Approved by the Board of Directors on 3 October 2022)

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1.0 PURPOSE

- 1.1 The Remuneration Policy and Procedures is the guiding framework for Board of Directors (Board) of Pengurusan Air Selangor Sdn. Bhd. (Air Selangor or Company) and the Board Nomination & Remuneration Committee (BNRC) of Air Selangor to determine the remuneration structure of Directors and Senior Management which takes into account the demands, complexities and performance of the Company, as well as the skills and experience required which reflects the different roles and responsibilities of the Non-Executive Directors, Chief Executive Officer and Senior Management (*Practice 7.1 MCCG*).
- 1.2 The BNRC shall develop and administer a fair and transparent procedure for setting policy on remuneration of the Non-Executive Directors, Chief Executive Officer and Senior Management.
- 1.3 The policy covers aspects of remuneration of the Non-Executive Directors' fees, meeting allowances, Board Committee fees and benefits-in-kind, and remuneration components of the Chief Executive Officer and Senior Management.

2.0 REMUNERATION PHILOSOPHY

- 2.1 Air Selangor aims to deliver a reward proposition that is competitive, fair, responsible and transparent, and shall set the level and composition of remuneration at levels which are sufficient to attract, motivate and retain the right talent in the Board and Senior Management which supports the Company's key strategic priorities and promote its long-term sustainable success (*Intended Outcome 7.0 MCCG*).
- 2.2 Air Selangor aims to encourage a culture of organisational, team and individual performance that incentivise individuals who deliver sustained performance consistent with the Company's strategic goals.
- 2.3 Air Selangor aims to drive behaviour consistent with Air Selangor's Core Values of Teamwork, Integrity, Honesty, Professionalism and providing the Highest Standards of Services, which steer the Company in the right path and is at the heart of our organization.

3.0 REMUNERATION PRINCIPLES

- 3.1 The remuneration practice of Air Selangor in remunerating its Directors and Senior Management is anchored on the following principles:

Non-Executive Directors

- 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) Non-Executive Directors shall be paid a remuneration that commensurate with their roles and responsibilities according to the skills and experience, and independent judgment they bring to bear on the decision-making process of the Company especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.

- c) Non-Executive Directors are remunerated through fixed monthly fees (subject to tax deduction), meeting allowances and benefits-in-kind. In determining the estimated total amount of remuneration payable to Non-Executive Directors, the Board has considered various factors including the number of scheduled and special meetings of the Board and Board Committees and the number of Non-Executive Directors involved.
- d) In the event of an establishment of share option scheme under any proposed employees' share option scheme or long-term incentive plans, such share options are not availed to Non-Executive Directors (including Independent Directors) from a good governance perspective.

Chief Executive Officer and Senior Management

- e) The Chief Executive Officer will receive no fees but will be paid salary as employee of the Company in accordance with his/her contract of employment with the Company. Salaries payable to the Chief Executive Officer shall not include a commission on or percentage of turnover (*Paragraph 7.23 of Listing Requirements*). The Chief Executive Officer and Senior Management personnel are paid competitive remuneration which is a common approach to setting salaries by matching the industry standard compensation for a particular job, having regard to the Company's performance and financial health, budget and strategic targets.
- f) A performance-related pay compensation model is adopted in remunerating the Chief Executive Officer and Senior Management to drive the long-term sustainable success of Air Selangor. Performance is measured based on a holistic balanced scorecard approach comprising both financial and non-financial key performance indicators (KPIs).

Achievement of the annual KPIs include KPIs linked to Environmental, Social and Governance (ESG) metrics in managing material sustainability risks and opportunities. (*Guidance to Practice 7.1 MCCG*).

- g) Performance-based payments to the Chief Executive Officer and Senior Management shall not be guaranteed, except in the context of sign-on bonuses. The annual bonus and salary increment payments continues to support the achievement of short-term operational performance of the Company and the payments are strictly subject to the achievements of the business fundamentals of revenue, profit, cash flow and customer satisfaction.
- h) In the event of an establishment of share option scheme under any proposed employees' share option scheme or long-term incentive plans, such share options may be made available to the Chief Executive Officer and Senior Management so as to align their actions with the long-term objectives of the Group. The allocation of options to the Chief Executive Officer shall be subject to shareholders approval in general meeting.

4.0 REMUNERATION FRAMEWORK

- 4.1 The table below summarises the main components that shall form the remuneration packages of the Non-Executive Directors, Chief Executive Officer and Senior Management of Air Selangor:

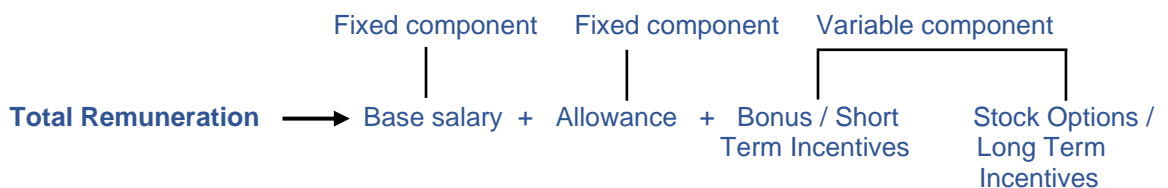
Category-Fixed/Variable	Component	Component description
Fixed	Directors' Fees	A fixed sum shall be provided to Non-Executive Directors for their ongoing contribution to the Board on a monthly basis subject to monthly tax deductions.
Fixed	Board Committee Fees	Non-Executive Directors appointed on Board Committees either as Chairman or members, do <u>not</u> receive Board Committee Fees but are entitled to Meeting Allowance for attendance on a per-meeting basis.
Fixed	Meeting allowance	<p>Meeting allowance shall be made to Non-Executive Directors on a per-meeting basis at the Board and Board Committee meetings with a condition that attendance (physical or virtual) is a prerequisite for remittance.</p> <p>As for meeting allowance, no distinction shall be made between participation in person and virtual participation by video, teleconference or other electronic means that permit Non-Executive Directors to participate.</p> <p>Virtual participation during meetings will constitute attendance and meeting allowance will be accorded accordingly.</p>
Fixed	Base salary	A monthly payment shall be provided to the Chief Executive Officer subject to monthly tax deductions.
Fixed	Benefits	<p>Benefits in kind (BIK) (non-cash benefits) may be provided to Non-Executive Directors as an incentive to attract and retain talent. This includes medical benefits and other perquisites such as insurance and leave passage.</p> <p>The BIK do <u>not</u> include any sort of cost reimbursement resulting from fulfilment of the Director's duties or tasks (e.g. travel or hotel expenses) nor Company assets or goods regularly provided to Directors in order to fulfil their duties (e.g. office equipment, iPads).</p> <p>Medical Benefits Directors are provided with benefits such as medical benefits and insurance coverage including hospitalisation.</p> <p>Leave Passage Directors are provided with annual leave passage.</p>
Fixed	Directors and Officers Liability (D&O) Insurance	Premium coverage provided by Company for D&O insurance coverage for Non-Executive Directors and the Chief Executive Officer and Senior Management.

	[Section 289(1) of Companies Act 2016]	
Fixed	Fixed Allowances	Fixed Allowance is provided to the Chief Executive Officer and Senior Management as part of their contract of employment.
Variable	Performance Payments	A performance-based sum (paid via cash) may be awarded to Chief Executive Officer and Senior Management for attaining or exceeding the assigned KPI.
Variable - Long term benefits	Stock Options (ESOS, Long Term Incentive Plan)	The Chief Executive Officer and Senior Management may receive share options so as to align their actions with the long-term objectives of the Group. The allocation of options to the Chief Executive Officer shall be subject to shareholders' approval in general meeting. Share options are not availed to Non- Executive Directors (including Independent Directors) from good governance standpoint.

4.2 A typical remuneration structure for Non-Executive Directors is illustrated below:



4.3 A typical remuneration structure for the Chief Executive Officer and Senior Management is illustrated below:



5.0 REMUNERATION POLICIES AND PROCEDURES

5.1 The determination of the remuneration package of the Non-Executive Directors, Chief Executive Officer and Senior Management shall be a matter for the Board, as a whole, after considering the recommendations of the BNRC and is aligned with the Company’s business strategy and long-term objectives, performance and comparable market statistics and effectiveness in addressing the Company’s material sustainability risks and opportunities (*Principle A ; III Remuneration*) (*Guidance to Practice 7.1 MCCG*).

5.2 Approval of shareholders shall be sought at each Annual General Meeting (AGM) of the Company on fees and any benefits payable to the Non-Executive Directors. The fees and benefits may be sought in a prospective manner (future) to enable payments to

be made on a monthly or quarterly basis. [Section 230(1) of Companies Act 2016; Rule 49 of the Constitution; Paragraph 7.24 of Listing Requirements].

- 5.3 The Chairman of the Board shall be remunerated with a higher fee to reflect the additional responsibilities assumed by the Chairman, whose primary role is to lead the Board, ensure smooth functioning of the Board, instill good corporate governance practices and effectiveness of the Board.
- 5.4 The performance-based remuneration package of the Chief Executive Officer shall be structured to link with the Corporate KPI and measured based on the achievements of overall performance score. The achievement of the Chief Executive Officer's KPIs shall be reviewed by the BNRC and recommended to the Board. The achievement of Senior Managements' KPIs shall be reviewed by the Chief Executive Officer.

6.0 GOVERNANCE OF REMUNERATION

Oversight of remuneration

- a) The BNRC shall assist the Board in implementing its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of the Non-Executive Directors, the Chief Executive Director and Senior Management (*Practice 7.2 MCCG*).
- b) The BNRC shall consist of Non-Executive Directors, comprising solely of Independent Directors. The BNRC shall have access to professional advice on remuneration matters both from within the Company and may also enlist the expertise of external advisors where necessary (*Guidance to Practice 7.2 MCCG*).

7.0 REMUNERATION POLICY AND PROCEDURES REVIEW

This Remuneration Policy and Procedures shall be reviewed by the BNRC periodically in accordance with the needs of the Company and made available on the Company's website (*Practice 7.2 MCCG*).

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