



Remuneration Policy and Procedures for Directors and Senior Management

Inari Amertron Berhad

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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 Remuneration Committee of Inari Amertron Berhad (“Inari”) and its subsidiaries (collectively referred to as the “Group”) to determine the **remuneration of Directors and Senior Management**, taking into account the demands, complexities and performance of the Group as well as skills and experience required.
- 1.1.2 This Document seeks to set out an overarching framework for the development and administration of a fair and transparent framework for the remuneration of Directors and Senior Management of Inari.

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 (e.g. MCCG), they are indicated accordingly in italics.
- 1.2.4 This Document will be reviewed periodically by the Remuneration Committee and be made available on the Group’s website.

1.3 Definition and interpretation

- 1.3.1.1 Executive Director - A Director who assumes management responsibilities in Inari.
- 1.3.1.2 Non-Executive Director – A Director who does not assume management responsibilities in Inari. 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 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 the Inari; or 5% or more of the total number of voting shares in Inari where such person is the largest shareholder of Inari (*paragraph 1.01 of Listing Requirements*).
- 1.3.4 Senior Management – Executive Directors and C-suite members at Group level.

- 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, benefits and other emoluments (e.g. share based payments) *[Write up to Practices 7.1, 7.2 and Step Up 7.3 of Corporate Governance Guide 3rd Edition by Bursa Malaysia Berhad]*.
- 1.3.6 Risk appetite – Aggregate level and types of risk Inari is willing to assume, decided in advance and within its risk capacity, to achieve Inari’s business objectives and strategies.
- 1.3.7 Share option – A right to buy a certain number of Inari shares at a predetermined price.

2. Remuneration philosophy

- 2.1 The remuneration practices of Inari are anchored on the following overarching objectives:
 - (a) Drive behaviour that is consistent with Inari’s core values;
 - (b) Promote symmetric outcomes with the risk appetite of Inari 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;
 - (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 Inari 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 may be remunerated with shares or stock-options subject to approval of shareholders at General Meeting. A non-executive director must not sell, transfer or assign shares obtained through the exercise of options offered to him pursuant to a Share Issuance Scheme within 1 year from the date of offer of such options (*paragraph 8.20 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 Inari. Performance is measured based on a holistic balanced scorecard approach comprising both financial and non-financial key performance indicators (“KPIs”);
 - (e) 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) Bonuses to Executive Directors and Senior Management shall not be guaranteed, except in the context of sign-on bonuses;
 - (g) Periodic benchmarking of remuneration will be undertaken to ascertain the competitiveness of Inari’s remuneration packages vis-à-vis other companies.

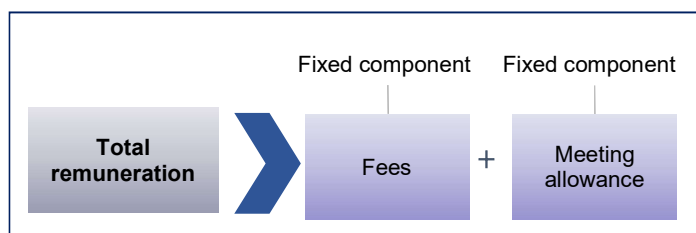
However, such comparisons will be utilised with caution, in view of the risk of an upward ratchet of remuneration levels with no corresponding improvement in corporate and individual performance, and to avoid paying more than is necessary.

4. Remuneration structure

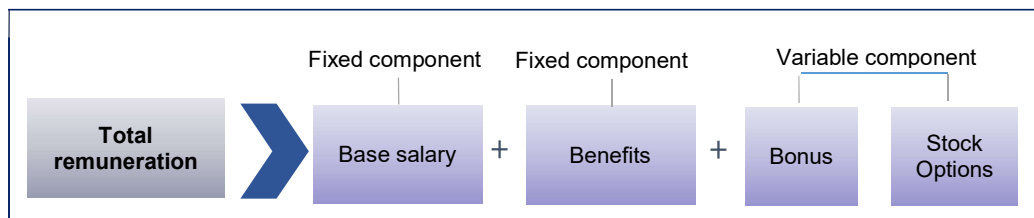
- 4.1 The table below summarises the main components that shall form the remuneration packages of Directors and Senior Management of Inari:

Category-Fixed/Variable	Component	Component description
Fixed	Fees	A fixed retainer sum shall be provided to Non-Executive Directors for their ongoing contribution to the Board.
Fixed	Meeting allowance	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.
Fixed	Base salary	A monthly payment shall be provided to Executive Directors and Senior Management personnel for performing their day job.
Fixed	Benefits	Benefits may be provided to increase the economic security of Executive Directors and Senior Management personnel and as an incentive to attract and retain talent. In addition to the statutory Employees Provident Fund contribution, Executive Directors and Senior Management personnel may be provided with benefits such as medical benefits and insurance coverage.
Variable	Bonus	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 KPIs.
Variable	Stock Options	Executive Directors and Senior Management may receive share options that are vesting or non-vesting based on market conditions so as to align their actions with the long-term objectives of the Group

- 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 Inari's business activities shall be reimbursed accordingly. All claims reimbursements must be accompanied with the claims receipts and shall be submitted to the Human Resource or Finance 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 Inari is illustrated below:



- 4.4 A typical remuneration structure for Executive Directors and Senior Management of Inari is illustrated below:



5. Remuneration policy and procedures

5.1 Policy and procedures for Non-Executive Directors' remuneration (including Independent Non-Executive Directors)

- 5.1.1 Inari'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 and competence, having regard to their responsibilities, time commitment and annual evaluation as undertaken by the Remuneration Committee. In this regard, the Chairman of the Board shall be remunerated with a higher retainer fee to reflect the additional responsibilities assumed by him or her. If deemed necessary, the Chairmen of the respective Board Committees shall also receive higher meeting allowance for chairing the respective meetings and for the additional work undertaken in the agenda setting.
- 5.1.3 As mentioned in the preceding section, Non-Executive Directors shall be paid via fixed retainer fees and meeting allowances. As for meeting allowance, no distinction shall be made between participation in person and participation by video, teleconference or other electronic mode that permits Non-Executive Directors to participate.
- 5.1.4 In remunerating Non-Executive Directors, the Board is guided by the aspects of contribution and individual performance, calibre, skill sets and experience that the Non-Executive Directors bring to bear. Please refer to Appendix A for detailed information on the factors that are amongst others considered by the Board in setting the remuneration of Non-Executive Directors.

5.2 Policy and procedures for Executive Directors and Senior Management remuneration

- 5.2.1 Inari's policy for Executive Directors and Senior Management's remuneration is to ensure that the level of remuneration is generally set to provide market competitiveness to attract, reward, 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 Group 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 Inari's aspirations.
- 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 Group Chief Executive

Officer; whilst for Executive Directors (including Group Chief Executive Officer), it is reviewed by the Nomination Committee and Remuneration Committee. 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 as well as approved stock options (if any) based on the terms of the scheme.

- 5.2.5 In remunerating the Executive Directors, the Board is guided by the Company's overall performance, ability to manage stakeholders' expectations as well as targets set by the Board. Please refer to Appendix B for detailed information on factors that are amongst other considered by the Board in setting the remuneration of Executive Directors (including the Group Chief Executive Officer)

6. Governance of remuneration

6.1 Oversight of remuneration

- 6.1.1 The Remuneration Committee 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 Remuneration Committee shall develop and administer a fair and transparent procedure for setting policy on remuneration of Directors and Senior Management so as to ensure that remuneration packages are determined on the basis of the Directors' and Senior Management'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 Audit Committee and the Sustainability and Risk Management Committee to ensure that risk exposures and risk outcomes are adequately considered. In considering the remuneration policy and procedures, the Remuneration Committee may also enlist the expertise of external advisors where necessary.
- 6.1.4 Executive Directors do not form part of the composition of the Remuneration Committee (*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 may attend the Remuneration Committee meetings at the invitation of the Chairman of the Remuneration Committee, if their presence is required.
- 6.1.5 The remuneration of Executive Directors and Senior Management is approved by the Board, as a whole, with the individual Executive Director abstaining from discussion of his/her own remuneration.

6.2 Directors and Officers Liability Insurance

- 6.2.1 Directors are accorded with Directors and Officers Liability Insurance in respect of any liability arising in the course of discharging their duties as Directors of Inari 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 by the Group separately and 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 and benefits payable of the Non-Executive Directors; fees and any non-contractual benefits payable to the Executive Directors (if any), and any compensation for loss of employment of an Executive Director or former Director of the Group (if any) 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 made in arrears either on a progressive (e.g. monthly, quarterly) or lump-sum basis (i.e. year-end).
- 6.3.3 Directors who are shareholders shall abstain from voting at General Meetings of Inari to approve their fees (*Guidance to Practice 6.2 of MCCG*)
- 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 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 Group level. The remuneration breakdown shall amongst others include fees, salary, bonus, benefits and other emoluments (include share-based payments), as the case may be (*paragraph 11, Appendix 9C of Listing Requirements, Practice 7.1 of MCCG and write up to Practices 7.1, 7.2 and Step Up 7.3 of Corporate Governance Guide 3rd Edition by Bursa Malaysia Berhad*). The disclosure shall also include Directors who were appointed or retired during the year.
- 6.4.2 If deemed necessary having taken into the Company's nuances, the top five Senior Management personnel's remuneration shall be disclosed on a named basis including a breakdown of salary, bonus, benefits and other emoluments (e.g. share based payments), as the case may be in bands of RM50,000 (*Practice 7.2 of MCCG and write up to Practices 7.1, 7.2 and Step Up 7.3 of Corporate Governance Guide 3rd Edition by Bursa Malaysia Berhad*). The top five Senior Management personnel would refer to the five highest paid Senior Management members of Inari, including Executive Directors. Senior Management personnel are those who are primarily responsible for the business operations of the Group's core business. This would include the Executive Directors, Group Chief Executive Officer, other members of the C-suite and Vice President/General Managers, as the case may be. The disclosure shall also cover Senior Management personnel who were appointed or resigned during the year in the event they fall within the ambit of the top five highest paid Senior Management members of Inari.

Date: 28 August 2018

Appendix A

The following factors are amongst others taken into consideration in determining the remuneration of Non-Executive Directors including Independent Non-Executive Directors:

No	Criteria	Weightage
Contribution and individual performance		
1	Participates actively in Board activities, external events organised by the Company and takes the initiative to be present during site visits.	
2	Devotes sufficient time to review meeting papers/materials and engage Senior Management on pertinent matters.	
3	Exercises informed judgment and decision making skills when dealing with key information and complex situations.	
4	Probes Management to ensure Management has taken, and suggests Management to take into consideration the varying opportunities and risks whilst developing the strategic plan.	
5	Keeps abreast with latest trends and regulations and synthesises implications (if any) towards Inari.	
Calibre		
6	Works well with others, encourages and respects contributions from other Board members.	
7	Tackles conflicts and offers practical and realistic advice during Board and/or Board Committee(s) discussions.	
8	Scrutinises the performance of Management in meeting agreed goals and objectives, and monitors reporting of performance.	
9	Is unafraid to pursue an unpopular stance on issues critical to the success of Inari whilst being mindful and taking the Company's operations into consideration.	
10	Constructively and periodically enquires Management on status of implementation and actions taken on Board's decisions made in prior meetings.	
Skill sets and experience		
11	Provides entrepreneurial leadership to Senior Management to achieve desirable outcomes as well as to accomplish Inari's goals and objectives.	
12	Contributes personal/industry experience and knowledge during Board meetings so as to enhance the depth and breadth of Board discussions.	
13	Possesses working knowledge on duties and responsibilities of the Board, Board Committees and Directors.	
14	Possesses experience in developing, reviewing, and providing guidance on corporate strategies for growth and business sustainability.	
15	Possesses the ability to approach issues and concerns from a risk management perspective, draws inferences using informed reasoning as well as understands the potential risks that Inari may be subjected to.	

Detailed assessment criteria can be found in the Board Effectiveness Evaluation instruments.

Appendix B

The following factors are amongst others taken into consideration in determining the remuneration of Executive Directors:

No	Criteria	Weightage
1	<p>Financial Perspective</p> <p>Manages to drive profitability, by boosting revenue and reducing expenses through efficiencies. Indicators in this regard would include Profit Before Tax (PBT), Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) or Return on Invested Capital (ROIC) and relative performance of Inari.</p>	
2	<p>Customer Perspective</p> <p>Maintains a consistently high quality of service, by:</p> <ul style="list-style-type: none"> ➤ Emphasising quality of service and a customer-first mentality in employees (e.g. reaching out regularly to customers to gauge their sentiment towards Inari); ➤ Encouraging collaboration between divisions and departments in resolving issues regarding customer service; and ➤ Creatively developing solutions to customers' issues and challenges during and after encounters with customers. 	
3	<p>Internal Process Perspective</p> <p>Keeps a keen eye on cost optimisation, by:</p> <ul style="list-style-type: none"> ➤ Keeping a strong focus on cost monitoring and returns on investments; ➤ Setting challenging but realistic and achievable timelines for tasks; ➤ Maintaining a focus on reducing or managing risk and thereby potential losses; and ➤ Reducing or eliminating issues relating to non-compliance with internal policies and procedures, and regulatory requirements. 	
4	<p>Learning Growth Perspective</p> <p>Engages and connects with Management and employees of Inari by:</p> <ul style="list-style-type: none"> ➤ Encouraging an open and forthcoming atmosphere (e.g. an open discussion during Executive Committee meetings); ➤ Maintaining a high level of employee engagement and satisfaction; ➤ Inculcating a life-long learning culture within Inari; and ➤ Managing turnover at acceptable levels. 	

Detailed assessment criteria can be found in the Board Effectiveness Evaluation instruments.