

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 0166  
**COMPANY NAME** : Inari Amertron Berhad  
**FINANCIAL YEAR** : June 30, 2018

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO THE CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **Intended Outcome**

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### **Practice 1.1**

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors (the "Board") of Inari Amertron Berhad ("Inari" or the "Company") is steadfast in promoting a sound corporate governance culture that is grounded on the hallmarks of accountability, objectivity and transparency. As the trusted fiduciaries of the Company, Board members have demonstrated unwavering commitment in discharging their duties and responsibilities with unfettered judgment, due care and skill at all times.</p> <p>The Board bears the overarching responsibility of providing oversight and leadership to Inari and its subsidiaries' (collectively referred to as the "Group") strategic and operational direction. During the year under review, the Board has reviewed and deliberated on the short, medium and long term strategies of the Group. In meeting the Group's business objectives, the Board seeks to ensure that the highest standards of corporate governance are practised across the Group with a view of promoting long-term stakeholders' value. In order to effectively measure, monitor and assess Management's performance in achieving the Group's objectives, the Board has established a set of Key Performance Indicators ("KPIs"). The Board reviews reports received from Management on the Group's key financial data, performance indicators of all business units as well as pertinent regulatory matters and subsequently ensures that all significant matters are acted upon in a timely manner.</p> <p>The Board recognises its role in laying out the Group's ethical culture and embodying corporate value. Towards this end, the Board has adopted a Group-wide Code of Business Conduct and Ethics that is engrained at every level of the Group's operational framework to</p>

	<p>ensure that business is conducted in a professional manner that is efficient and fair to all parties.</p> <p>In an effort to promote the long-term sustainability of the Group, the Board has incorporated economic, environmental and social considerations into the formulation of the Group’s business strategies. An aspect of economic sustainability that is at the forefront of the Board’s agenda is the ongoing adoption of the Industry 4.0 framework which represents the enviable fourth industrial revolution that sees manufacturing moving towards digitalisation and decentralisation. The Industry 4.0 framework is positioned to be at the centre of Inari’s economic sustainability strategy in promoting innovation and market competitiveness. The Company’s Sustainability Statement provides a detailed narrative of the Group’s sustainable strategies and practices.</p> <p>There is an open and a transparent line of communication between the Board and the Group’s diverse stakeholders which is essential to the overall performance of the Company. The Board has ensured that the Company’s website is continuously updated with the latest developments on the Group to ensure timely dissemination of information that is both accurate and complete. In order to supplement this effort, Management has actively engaged investors and market analysts via conferences and briefing sessions conducted by the Group.</p>		
<p><b>Explanation for departure</b> :</p>			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>			
<p><b>Measure</b> :</p>			
<p><b>Timeframe</b> :</p>	<table border="1" style="width: 100%; height: 44px;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> </table>		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is chaired by Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, an Independent Non-Executive Chairman. Y.A.M Tengku Aishah was appointed to the Board as its Chairman on 21 September 2010.</p> <p>As the Chairman of the Board, Y.A.M Tengku Aishah is responsible for providing leadership to the Directors and ensuring the effective conduct of Board meetings. The Chairman is required, amongst others, to undertake the following responsibilities:</p> <ul style="list-style-type: none"><li>• Ensure the smooth functioning of the Board;</li><li>• Chair Board meetings, including promoting active interaction between Directors and allowing dissenting views to be democratically expressed;</li><li>• Ensure a balanced composition of skills, knowledge and experience within the Board and inculcate a positive culture in the Board;</li><li>• Ensure the integrity and effectiveness of the Group's governance processes; and</li><li>• Act as a representative to stakeholders.</li></ul> <p>The role and responsibilities of the Chairman are enunciated in the Board Charter, which is made available on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The office of the Chairman is occupied by Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, whilst the position of the Group Chief Executive Officer ("CEO") is held by Mr. Lau Kean Cheong, who also serves as an Executive Director on the Board.</p> <p>The Board has consciously demarcated the positions of the Chairman and the CEO in order to allow the Board to exercise objective and unbiased oversight of Management. The separation of power prevents any single individual from dominating proceedings and dictating the decision-making process.</p> <p>As the Chairman, Y.A.M. Tengku Aishah is responsible for providing leadership to the Board in overseeing Management and the Group's overall strategic directions. Meanwhile, as the CEO, Mr. Lau Kean Cheong is responsible for the day-to-day operations of the Group and the effective performance of the Management team.</p> <p>A detailed account of the respective roles and responsibilities of the Chairman and the CEO is enclosed in the Board Charter, which is made available on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In discharging the Board's duties and oversight function, Directors have unrestricted access to the services of the Company Secretaries. The office of the Company Secretaries is jointly held by Ms. Chow Yuet Kuen (MAICSA 7010284) and Ms. Lau Fong Siew (MAICSA 7045893).</p> <p>As members of the Malaysian Institute of Chartered Secretaries and Administrator ("MAICSA"), the Company Secretaries are qualified and well-positioned to undertake the role. Both Ms Chow and Ms Lau fulfil requirements on qualifications of company secretaries as enshrined in Section 235(2) of Companies Act 2016.</p> <p>The Company Secretaries provide advice to the Board on corporate governance matters and assist the Board in ensuring compliance with the latest regulatory requirements. As members of a professional body, the Company Secretaries attend regular trainings and seminars to keep themselves abreast of the latest developments in the corporate governance realm.</p> <p>The Company Secretaries have attended and facilitated all Board meetings and selected Board Committees meetings. In fulfilling their role, the Company Secretaries have ensured the timely and accurate record keeping of meeting minutes, which contain detailed proceedings of Board and Board Committee meetings.</p> <p>The duties and responsibilities of the Company Secretaries are codified in the Board Charter.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

## Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As a long-standing practice, the Company Secretaries, together with Management and the Chairman of the Board, have prepared a tentative calendar of the Board and Board Committee meetings for the year which was subsequently distributed to all Directors in advance. The advanced planning accords Directors with the adequate time to make the necessary arrangements to attend the aforementioned meetings.</p> <p>Notice of Board or Board Committee meeting, which includes a formal meeting agenda, is distributed to Directors in a timely manner prior to the respective meeting. The notice of meeting is accompanied by the relevant Board papers such as Board Committee Reports, relevant regulatory materials, any significant acquisitions and disposals and financial reports. In preparing the Board papers, Management is mindful in ensuring that they are presented in a concise and cogent manner to allow Directors to decipher and dissect the information efficiently.</p> <p>Directors are additionally accorded the right to obtain independent professional advice at the Company's expense, as deemed necessary for the effective discharge of their duties.</p> <p>The Company Secretaries keep contemporaneous records of the minutes of Board and Board Committee meetings. The meeting minutes detail the proceedings of the meetings, including key deliberation points, dissenting views, voting outcome and rationale behind each decisions made during the meetings.</p>
<b>Explanation for departure</b>	:	
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<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

## Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised a Board Charter that serves as the primary point of reference and induction literature on governance matters for new and incumbent Directors.</p> <p>The Board Charter is subjected to periodic reviews to ensure it reflects recognised best practices and regulatory promulgations whilst simultaneously ensuring it remains relevant to the needs of the Company. During the year under review, the Board has engaged an independent expert, namely KPMG Management &amp; Risk Consulting Sdn Bhd (“KPMG”) to undertake a review of the Board Charter and incorporate enhancements to the Charter for the Board’s consideration.</p> <p>The Board Charter amongst others encompasses provisions in the following overarching areas:</p> <ul style="list-style-type: none"><li>• Board composition, structure and independence;</li><li>• Roles of the Chairman, Vice Chairman, CEO and Company Secretaries;</li><li>• Roles and responsibilities of the Board;</li><li>• Matters reserved for the Board;</li><li>• Board Committees;</li><li>• Board process and procedures; and</li><li>• Relationship between the Board and the Group’s stakeholders.</li></ul> <p>The Board Charter is accessible to stakeholders and the general public via the Company’s website.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board has recently formalised a Group-wide Code of Business Conduct and Ethics, which governs the professional conduct of Directors and employees of the Group. The Code of Business Conduct and Ethics is underpinned by the core tenets of trust, loyalty, integrity, honesty, commitment, dedication, diligence and professionalism.</p> <p>The adoption of the Code of Business Conduct and Ethics signifies the Board's commitment in promoting a healthy corporate culture that is anchored on professional and ethical business conduct.</p> <p>The Code of Business Conduct and Ethics is an extensive document that amongst others provides guidance in the following key areas:</p> <ul style="list-style-type: none"><li>• Business integrity, including guidance on acceptance or provision of gifts, benefits and entertainment, conflict of interest situations and corruption and money laundering;</li><li>• Disclosure of information, including provisions on data privacy, competition and fair dealing and confidential information;</li><li>• Protection of intellectual properties and assets;</li><li>• Conduct of employees; and</li><li>• Whistleblowing processes.</li></ul> <p>In order to promote internalisation of the Code of Business Conduct and Ethics, the Group has made it mandatory for employees to pledge to adhere to the provisions in the document by signing a "Declaration by Employee".</p> <p>During the year under review, the Code of Business Conduct and Ethics has been updated and approved by the Board. The said document is accessible on the Company's website.</p>

<b>Explanation for departure</b> :		
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<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised a Whistleblowing Policy and Procedures which provides guidance for stakeholders to report genuine concerns of potential malpractices or misdemeanours relating to the Group.</p> <p>The Whistleblowing Policy and Procedures conscientiously defines acts that would constitute misconducts and incorporates provisions that safeguards the identity and report content of the whistleblower. The Whistleblowing Policy and Procedures outlines the reporting procedure and designated channels for employees and other stakeholders to report bona fide concerns. Employees can opt to report any concerns regarding potential misconducts directly to their immediate superiors or designated recipients as outlined in the Whistleblowing Policy and Procedures. In addition to this, individuals who have concerns regarding confidentially can seek counsel from an independent third party by contacting Inari’s dedicated Whistleblowing Hotline.</p> <p>Any reports received are investigated and handled by the designated recipients, which ranges from the immediate reporting superior to the Audit Committee depending on the subject of the misconduct and the gravity of the case. Outcomes arising from the investigations of all reported cases are escalated to the Audit Committee.</p> <p>The Whistleblowing Policy and Procedures is subjected to a periodic review by the Audit Committee. During the year under review, the Board has approved the updated Whistleblowing Policy and Procedures to ensure it is kept contemporaneous with changes in legislations, regulations and stakeholder expectations.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.1

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>At present, the Board comprises four Independent Directors, one Non-Independent Non-Executive Director, and five Executive Directors.</p> <p>The Board recognises the value of having the majority Independent Directors on the Board in promoting objectivity during boardroom deliberations and impartiality in the decision-making process. The presence of majority Independent Directors provides the necessary counterweight for Directors to encourage, support and drive each other in promoting the value creation and sustainability of the business.</p> <p>In striving towards applying this Practice, the Board is careful not to compromise on the business imperative by making unwieldy changes to its composition. The Board, with the assistance of the Nomination Committee, will continue to drive efforts in identifying candidates that are suitable for the position of Independent Director through the possession of necessary attributes and business acumens.</p> <p>The Chairman of the Board, as an Independent Chairman, provides the relevant checks on the power and authority of the CEO. The presence of an Independent Chairman provides assurance that power is not concentrated on a single individual and allows deliberations to be framed and mediated in an impartial manner.</p> <p>In February 2018, the Board has appointed Datuk Phang Ah Tong as an Independent Director which has elevated the proportion of Independent Directors on the Board from 33% to 40%. The appointment of an additional Independent Directors serves as a testament to the Board's commitment in this regard.</p> <p>As an additional safeguard, the newly-enhanced Board Charter clearly outlines a formal schedule of matters reserved for the Board's consideration and decision. This was a conscious effort to communicate</p>



	the demarcation of responsibility and thus, prevent any conflicts between the decision-making authority of the Board and the day-to-day management of the business.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board intends to source for suitable candidates that can reinforce the independence of the Board and contribute to the effective governance of the Group. In order to create a more conducive environment for insightful deliberations and informed decision-making, the Board will focus on enlisting Independent Directors who possess strong business acumen that is conflated with a sound understanding of the Group's business.
<b>Timeframe</b>	:	Within 3 years

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	To date, none of the Independent Directors have exceeded the prescribed tenure limit of 9 years.  On a continuous basis, the Nomination Committee assesses the performance of Independent Directors to ensure they demonstrate the level of vigilance and impartiality expected of Independent Directors. Based on the findings of the independently-conducted board effectiveness evaluation, the Board has satisfied itself that the Independent Directors have consistently performed to the best interest of the Company and that they continue to act with unfettered independence and impartiality.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee undertakes an annual review of the composition of the Board with a view of promoting a healthy level of diversity from the facets of gender, age, ethnicity, skills, qualifications and experience.</p> <p>In recommending the appointment or election/re-election of Directors, the Nomination Committee takes into consideration the skills, expertise and experience of candidates and measures these traits against the prevailing composition of the Board so as to ascertain the overall fit of the Directors within the Board. The Nomination Committee also considers the business imperative and assesses the ability of candidates to contribute value towards achieving the Group's business objectives.</p> <p>The Board presently constitutes of members with a diverse set of expertise, experience and skill sets (i.e. technology, engineering, finance &amp; treasury, accounting &amp; corporate governance, and macroeconomics).</p> <p>The employment of Senior Management personnel which includes Executive Directors and C-suite members at Group level is equally based on an objective set of criteria which covers diverse skill sets and experience. Members of the Senior Management team have substantive qualification and industry experience, particularly in semiconductor technology which is integral to Inari's core business operations.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>Inari has yet to achieve the target of having 30% women directors on its Board. The Board presently has one woman Director, who also serves as the Chairman of the Board.</p> <p>It is worth noting that the Company operates within a niche sector. A dearth of female talent in the technology sector is widely acknowledged and this poses a challenge for technology based companies to recruit talented and high-calibre individuals who can equally contribute to the gender balance on boards.</p> <p>Nonetheless, the Board views the incorporation of gender diversity in the boardroom as a long-term goal. The Board is confident that the addition of women directors on the Board will bring about varying perspectives and contribute to the refinement of the Group's strategy formulation.</p> <p>In order to ensure that the Board incorporates diverse perspectives into its discussions, the Board takes additional effort to consider reports and feedback received from the Management team. Through these efforts, the Board can harness diverse insights and viewpoints, including that from female individuals.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will seek to engage independent search firms and leverage on other sources such as directors' registries and professional body memberships to identify a wider spectrum of suitable and talented individuals for directorships, including female candidates. The Board

	also intends to maintain a registry of qualified candidates, including female candidates that can serve as a point of reference for future induction to the Board.	
<b>Timeframe</b>	:	Within 3 years

## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is delegated with the responsibility to identify and assess suitable candidates for directorships in the Company.</p> <p>The Nomination Committee is supported by the counsel of the Company Secretaries and key personnel of the Human Resources department in identifying suitable and quality candidates.</p> <p>In order to facilitate the search for candidates, the Nomination Committee leverages on third party sources such as independent search firms and directors' registries in order to "cast a wider net" and gain access to a wider talent pool that would otherwise be beyond the Board's radar.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

## Practice 4.7

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Nomination Committee is chaired by Y.A.M. Tengku Aishah, an Independent Director, who is also the Chairman of the Board.</p> <p>The Board is cognisant that the Chairman of the Nomination Committee must be an Independent Director, as iterated in the Nomination Committee's Terms of Reference. An independent and impartial Chairman is essential to the process of objective screening, evaluation and recommendation of potential Directors. The objectivity of the Chairman ensures that nominations are made based on merit and suitability.</p> <p>As Chairman of the Nomination Committee, Y.A.M Tengku Aishah undertakes the following responsibilities:</p> <ul style="list-style-type: none"><li>• Lead the succession planning and appointment of Board members; and</li><li>• Lead the annual review of Board effectiveness evaluation and ensuring that the performance evaluation of the Board is executed independently.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

## Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has engaged a professional firm, namely KPMG Management &amp; Risk Consulting Sdn Bhd, to conduct the annual Board effectiveness evaluation exercise to determine the continued effectiveness of the Board, Board Committees and individual Directors, including Independent Directors. The carefully-designed and independently-conducted Board evaluation process identifies the strengths of the Board as well as areas for improvement.</p> <p>The Board evaluation process was conducted via a set of questionnaires containing both quantitative and open-ended questions, based on self and peer-rating by the Chairman of the Board and respective Chairmen of the Board Committees. Responses to the questionnaires were received from a sample size of Directors.</p> <p>The questionnaires are categorised into the following areas:</p> <ol style="list-style-type: none"><li>1. Board of Directors;</li><li>2. Directors' Skill Set;</li><li>3. Board Members' Assessment;</li><li>4. Directors' Independence;</li><li>5. Audit Committee;</li><li>6. Audit Committee members;</li><li>7. Nomination Committee;</li><li>8. Nomination Committee members;</li><li>9. Remuneration Committee; and</li><li>10. Remuneration Committee members.</li></ol>

	<p><i>Note: The Sustainability and Risk Management Committee has been recently constituted on 28 August 2018 and an assessment on the efficacy of the said committee will only be conducted in the forthcoming year.</i></p> <p>The evaluation outcome points towards the areas of financial administration and vigilance; efficacy of Board Committees; as well as rigour of Board deliberations as strengths and propositions for the Board to reflect and continue to build upon. In terms of potential enhancements, the areas of boardroom diversity and succession planning; in-depth strategic planning; Board administration; and responsiveness to market dynamics have been identified.</p>	
<p><b>Explanation for departure</b> :</p>		
	<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has formalised Remuneration Policy and Procedures to govern the remuneration of Directors and Senior Management. In designing the policy, the Board took into account the demands, complexities and performance of the Company as well as skills and experience required of Directors and Senior Management personnel. The document serves as the primary reference point in facilitating a fair and transparent remuneration process for Directors and Senior Management which includes Executive Directors and C-suite members at Group level.</p> <p>The remuneration policy for Executive Directors and Senior Management is anchored on the maxim "pay for performance", whereby remuneration is structured in a way that links rewards to corporate and individual performance. As for Non-Executive Directors, the remuneration packages are designed in a way that seeks to preserve their independence and objectivity. The remuneration level for Non-Executive Directors reflects their credentials, responsibility and position on the Board and/or Board Committee and attendance level to Board and/or Board Committee meetings.</p> <p>The remuneration policy also calls for periodic benchmarking of remuneration vis-à-vis Inari's peers to ensure that Directors and Senior Management are paid fairly and in line with market and industry norms.</p> <p>This Remuneration Policy and Procedures is reviewed periodically by the Remuneration Committee and is made available on the Group's website.</p>
<b>Explanation for departure</b>	:	

<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

## Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a stand-alone Remuneration Committee comprising solely of independent directors to provide oversight on remuneration matters pertaining to Directors and Senior Management. This includes putting in place a suitable framework for remunerating Directors and Senior Management and making recommendations to the Board on the remuneration packages. The Remuneration Committee ensures that the Group's remuneration framework provides for a fair and transparent remuneration process in order to attract and retain talented individuals who can run the business successfully as well as to equip shareholders with the informed ability to ascertain that the Company's leadership is paid fairly and competitively.</p> <p>The Remuneration Committee is also provided with the authority to consult external advisors in reviewing and determining the robustness of the Group's remuneration framework.</p> <p>The Terms of Reference of the Remuneration Committee is periodically reviewed by the Board and is made available on the Company's website.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b>	: Applied					
<b>Explanation on application of the practice</b>	: The detailed disclosure for the remuneration of individual Directors for the financial year ended 30 June 2018 is presented below. The disclosure additionally complies with paragraph 11, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.					
					<b>Total</b>	
	<b>Directors' Fees</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Emoluments include Defined Contribution Plan (RM)</b>	<b>Company</b>	<b>Group</b>
	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>	<b>(RM)</b>
<b>Non-Executive Directors:</b>						
Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP	154,800	-	-	-	154,800	154,800
Dato' Sri Thong Kok Khee	97,200	-	-	-	97,200	97,200
Foo Kok Siew	123,600	-	-	-	123,600	123,600
Oh Seong Lye	133,200	-	-	-	133,200	133,200
Datuk Phang Ah Tong <sup>[1]</sup>	35,625	-	-	-	35,625	35,625
<b>Executive Directors:</b>						
Dato' Dr Tan Seng Chuan	-	360,000	1,314,286	320,420	-	1,994,706
Lau Kean Cheong	-	903,528	2,782,469	962,228	-	4,648,225
Dato' Wong Gian Kui	-	180,000	442,857	75,572	698,429	698,429
Ho Phon Guan	-	276,000	1,047,500	158,820	-	1,482,320
Mai Mang Lee	-	276,000	645,714	110,606	-	1,032,320
	<b>Total Remuneration (RM)</b>					
	<b>Company</b>		<b>Group</b>			
Executive Directors	698,429		9,856,000			
Non-Executive Directors	544,425		544,425			
<b>Total</b>	<b>1,242,854</b>		<b>10,400,425</b>			
<b>Note:</b>						
[1] Datuk Phang Ah Tong was appointed to the Board w.e.f 8 February 2018.						



The aggregate remuneration of Directors categorised into the various bands are as follows:

Remuneration Band	Executive Directors	Non-Executive Directors
RM0 to RM50,000	-	1
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	2
RM150,001 to RM200,000	-	1
RM650,001 to RM700,000	1	-
RM1,000,001 to RM1,050,000	1	-
RM1,450,001 to RM1,500,000	1	-
RM1,950,001 to RM2,000,000	1	-
RM4,600,001 to RM4,650,000	1	-

In addition to the above, during the financial year ended 30 June 2018, certain Directors had exercised share options under the Employees' Share Option Scheme ("ESOS") and a designated number of shares options had been awarded to them. Equity-settled share-based payment transactions amount is derived from the fair value of the share options granted to the Directors based on Black Scholes model. The salient features of ESOS and Black Scholes model are outlined under Note 38 to the financial statements. The movement of share options granted to Directors and the equity-settled share-based payment transactions during the financial year is disclosed under Note 3 of Additional Compliance Information of the Annual Report.

**Explanation :**  
for  
departure

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

**Measure :**

**Timeframe :**

## Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

## Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The five Executive Directors on the Board also constitute the top five Senior Management personnel of the Group. The five Executive Directors are the highest paid Management personnel within the Group. By virtue of applying Practice 7.1, the Company has also simultaneously applied Practice 7.2.  The detailed disclosure of the remuneration of the five Executive Directors is presented under Practice 7.1.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman of the Audit Committee is Mr. Foo Kok Siew, an Independent Director who is distinct from the Chairman of the Board. Having the positions of the Chairman of the Board and Chairman of the Audit Committee assumed by different Directors allows the Board to review the findings and recommendations of the Audit Committee in an impartial and unbiased manner.</p> <p>Mr. Foo holds a Bachelor of Economics Degree from Monash University, Australia. He has accumulated years of experience in the area of corporate finance and banking, both domestically and internationally throughout the Asian region. He has served in various leadership positions, including as the Chief Executive Officer of Alliance Investment Bank Berhad and presently as an Executive Director of Hiap Teck Venture Berhad.</p> <p>The qualifications and professional experience attained by Mr. Foo equip him with the requisite financial expertise coupled with immense industry exposure. This places him in a good stead to discharge the duties and responsibilities as the Chairman of the Audit Committee.</p> <p>The duties and responsibilities of the Chairman of the Audit Committee are outlined in the Terms of Reference of the Audit Committee, which is made available on the Company's website.</p>
<b>Explanation for departure</b>	:	
		.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b> :		
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## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has codified a policy stipulation that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee. This policy stipulation is outlined in the Company's Policy on External Auditor as well as in the Terms of Reference for the Audit Committee.</p> <p>It is also worth noting that Inari has not appointed any former key audit partner or former employee of the external audit firm to the Board or to the Audit Committee to date.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee has formalised a Policy on External Auditor which covers policy stipulations and procedures to assess and determine the suitability, objectivity and independence of the external auditor.</p> <p>During the financial year under review, the Audit Committee has monitored and assessed the performance and independence of the external auditor, namely Grant Thornton Malaysia, and has satisfied itself that the external auditor has been independent throughout the conduct of the audit. The assessment of the quality of the services provided by the external auditor was conducted via questionnaires completed by the Audit Committee members. The criteria covered by the assessment includes, amongst others, the adequacy of the audit scope, the ability of the audit firm to meet deadlines, timeliness in escalating significant audit issues to the Audit Committee as well as the efficient allocation of resources to significant audit risk areas.</p> <p>In line with the relevant professional standards, the Audit Committee has obtained written assurance from the external auditor that its personnel were, and have been independent throughout the audit engagement.</p> <p>The Policy on External Auditor additionally provides guidelines on the provision of non-audit services by the external audit firm. In this respect, the Policy is aligned to the By Laws (on Professional Ethics and Conduct) by the Malaysian Institute of Accountants.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		

<b>Measure</b> :		
<b>Timeframe</b> :		



### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Audit Committee comprises exclusively of Independent Directors, namely Mr Foo Kok Siew (Chairman of the Audit Committee), Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP and Mr Oh Seong Lye.</p> <p>The Board acknowledges that independence is the cornerstone of a well-functioning Audit Committee and has thus endeavoured to ensure Inari attains the higher-order practice of having a fully-independent Audit Committee. The Board expects members of the Audit Committee to exercise continued professional vigilance, intellectual honesty and moral courage in fulfilling their duties.</p>

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Audit Committee comprises three members, namely Mr. Foo Kok Siew (Chairman of the Audit Committee), Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP (Independent Chairman of the Board) and Mr Oh Seong Lye (Independent Director).</p> <p>The collective skills, academic background and professional experience of the members of the Audit Committee allow the said Committee to have the requisite level of financial literacy to perform the duties expected of an effective and high-performing Audit Committee. Mr Foo, as the Chairman of the Committee, has accumulated vast experience and expertise in the area of corporate finance banking whilst Y.A.M Tengku Aishah has a formal background in business administration. Having Mr Foo who is an independent director on the Board allows the Company to comply with paragraph 15.10 of Listing Requirements which calls for the Audit Committee Chairman to be an independent director.</p> <p>One of the Audit Committee member, Mr Oh is an accountant by profession and holds memberships in multiple professional accountancy bodies.</p> <p>The composition of the Audit Committee complies with paragraph 15.09 of Listing Requirements.</p> <p>During the year under review, all members attended relevant trainings and continuous professional development programmes in order to keep themselves abreast of the latest developments in financial reporting, accounting and auditing practices, standards and regulations.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is responsible for ensuring there is an effective risk management and internal control framework in place to support Management in safeguarding shareholders' investments as well as the Group's assets. Towards this end, the Board has instituted an Enterprise Risk Management ("ERM") framework which supports the timely identification, reporting and management of principal risks facing the Group as well as the implementation, tracking and review of the effectiveness of mitigation strategies and actions.</p> <p>The Audit Committee, as the Board's delegate, is responsible for providing oversight on the Group's risk management and internal control framework and for reporting to the Board in a timely manner on the key risks facing the Group, changes to the risk profile as well as action plans to manage the risks. Key Management personnel and Heads of Departments are delegated with the responsibility of managing risks within the pre-determined parameters.</p> <p>Detailed disclosure on the Group's risk management and internal control framework is narrated in the Statement on Risk Management and Internal Control contained within the Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

## Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has provided detailed disclosure on the features of the Group's risk management and internal control framework together with an assessment of its adequacy and effectiveness in the Statement on Risk Management and Internal Control contained within the Annual Report.</p> <p>The Statement amongst others articulates the varying responsibilities for risk management across the different levels of employees, information pertaining to the internal audit function and a summary of the key business risks facing the Group together with the mitigating strategies employed by the Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### **Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### **Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>Inari has established a Sustainability and Risk Management Committee comprises three members, namely Datuk Phang Ah Tong (Independent Chairman of the Sustainability and Risk Management Committee), Mr Foo Kok Siew (Independent Director) and Dato' Dr Tan Seng Chuan (Executive Vice Chairman of the Board).</p> <p>The Committee is entrusted with the responsibility of overseeing risk management and sustainability matters.</p>

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group, since the listing of Inari, has outsourced its internal audit function to a professional firm, namely KPMG. As the “eyes and ears” of the Audit Committee, the internal auditors have a direct reporting line to the Committee and have direct access to the Board via the Chairman of the Audit Committee.</p> <p>The Audit Committee is delegated with the responsibility of overseeing the internal audit function ensuring it remains effective and independent. In fulfilling this duty, the Audit Committee reviews and subsequently approves the Annual Internal Audit Plan and ensures the internal audit function is accorded with appropriate standing and authority to enable it to discharge its duties accordingly. The Audit Committee approves the fee for the internal auditors and in doing so, ensures that the internal auditors have adequate resources to perform its duties with objectivity and without undue influence from any third parties.</p> <p>During the year under review, the internal auditors have undertaken an independent assessment of the risk management and internal control systems of the Group across three cycles. Audit reports produced by the internal auditors are furnished to the Audit Committee to provide the said Committee with assurance on the adequacy and effectively of the Group’s risk management and internal control systems as well as recommendations to address any noted deficiencies.</p> <p>The Audit Committee holds regular in-camera meetings with the internal auditors to discuss on significant internal audit matters and to provide an avenue for the internal auditors to surface any pertinent issues or concerns that they have gathered.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		



## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	Disclosure on the internal audit function, in pursuant to Practice 10.2 of MCCG, is contained in the Statement on Risk Management and Internal Control within the Company's Annual Report. A summary of activities and work of the Audit Committee in relation to the internal audit function is also provided in the Audit Committee Report within the Company's Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises that effective, transparent and continuous communication with the stakeholders of the Group is essential in managing stakeholder expectations and delivering long-term value-creation for the stakeholders.</p> <p>In fostering a closer association with the stakeholders of the Group, the Board, together with Management, ensure the Company's website is updated with the latest developments pertaining to the Group, including the Group's performance, business strategies and objectives, investor relation activities and any press releases made by the Group. The website additionally houses the Company's annual and quarterly reports and circulars to shareholders.</p> <p>In addition, the Group periodically organises investor relation activities such as conferences and briefing sessions targeted at market analysts and fund managers to allow for constructive and informative communication with shareholders and potential investors.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

## Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The current Annual Report of Inari provides stakeholders with a fairly granular view of the Company's financial and non-financial information that would allow them to make informed decisions. The Annual Report contains components such as Management Discussion and Analysis, Corporate Governance Overview Statement, Sustainability Statement and Statement on Risk Management and Internal Control that form an integral part of the non-financial information.</p> <p>Whilst certain characteristics of integrated reporting in the current Annual Report, it is on the whole not an integrated report based on the parameters set out by the International Integrated Reporting Council's (IIRC) Integrated Reporting Framework.</p> <p>Moving forward, the Board would like to allow an advocacy period for Management to gain a better appreciation and familiarity of the integrated reporting regime before it is adopted.</p> <p>The Annual Report draw linkages between the various components contained thus allowing connectivity of information between the financial and non-financial information.</p> <p>As with the preceding year, the Company has incorporated a Sustainability Statement in the Annual Report, in accordance to Practice Note 9 of the Main Market Listing Requirements by Bursa Malaysia Securities Berhad. This gradually positions the Company towards the adoption of integrated reporting through the establishment of the necessary systems and controls as well as the presence of quality non-financial data to support the development of an integrated report.</p>

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:	The Board will seek to undertake a readiness assessment to identify the structural changes that would be necessitated from the proposed transition to integrated reporting. As an incremental measure, the Company will seek to embed the process of integrated thinking into its activities to better streamline its connectivity of reporting from management, its business analysis and decision-making process.	
<b>Timeframe</b>	:	Others	5 years

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Annual General Meeting (“AGM”) serves as the principal avenue for shareholders to engage with the Board and Senior Management in a productive and constructive two-way dialogue. The Board welcomes constructive feedback and critical suggestions from shareholders and endeavours to incorporate shareholders’ perspectives during boardroom discussions and decision-making process. It is therefore incumbent on the Board to provide shareholders with adequate time to consider the resolutions that will be discussed and voted upon during the AGM and thus, allowing shareholders to make informed decisions.</p> <p>Towards this end, the notice of the AGM was circulated at least 28 days prior to the date of the meeting, which will be held on 27 November 2018. This goes above and beyond the minimum stipulated notice period of 21-days mandated by Section 316(2) of Companies Act 2016 and paragraph 7.15 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad.</p> <p>The notice of AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be voted upon during the AGM.</p> <p>In addition to being dispatched to shareholders and announced on the website of Bursa Malaysia Berhad, the notice of AGM was circulated in a nationally circulated newspaper.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	

<b>Timeframe</b> :		
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## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

## Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As stewards of the Company, the Board recognises its accountability to shareholders and its obligation to engage shareholders and provide meaningful responses to their enquiries. In demonstration of this commitment, all Directors, including the Chairmen of the respective Board Committees, were present during the 7<sup>th</sup> AGM held on 22 November 2017. The Chairmen of the respective Board Committees availed themselves to facilitate discussions and respond to queries posed by shareholders on matters that fall under their purview.</p> <p>The CEO, Chief Financial Officer (CFO) and the external auditors were also present to supplement discussions and provide greater clarity and context where necessary.</p> <p>The outcome of the meeting is published via an announcement to Bursa Malaysia Securities Berhad on the same meeting day.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

## Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The AGM is convened in a specified venue and resolutions put forth are voted by the members present personally at the said venue of the meeting. As disclosed under Practice 12.1, the notice of AGM was provided to shareholders at least 28 days prior in order to accord shareholders with adequate time to make the necessary preparation and arrangements to attend the AGM.</p> <p>Electronic voting is adopted to ensure accurate recording of votes and all resolutions will be put to vote by poll. The Company has appointed an independent scrutineer to validate the votes at the forthcoming AGM.</p> <p>Shareholders who are unable to attend the AGM in person are granted the right to appoint proxies to vote in their place. Shareholders can appoint any persons as their proxies, who are in turn allowed to participate, vote and speak in their capacity during general meetings.</p> <p>The Board has also given utmost consideration to the location of the general meetings to ensure it is nestled at an easily accessible location for shareholders. The upcoming 8<sup>th</sup> AGM of the Company will be held at Bukit Kiara Equestrian and Country Resort, Kuala Lumpur.</p> <p>This recommendation to leverage on technology is a new concept and the Company needs time to study the availability of software to facilitate such mode of voting. Thus, the Company has yet to accommodate such technology that would facilitate voting in absentia and remote shareholder participation during general meetings.</p> <p>As building such an infrastructure will require a significant initial investment outlay, the Board would like to allow for an advocacy period</p>



	in the interim to undertake a cost and benefit analysis for employing technological means during general meetings.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will continue to monitor its shareholding structure and facilitate the implementation of the necessary systems or infrastructure that would ultimately allow for remote shareholder participation via electronic means.
<b>Timeframe</b>	:	Others 5 years