

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 3379  
**COMPANY NAME** : INSAS 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 PERSUANT 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 Insas Berhad ("Insas" or the "Company") is committed to exhibit high standards of corporate governance and fulfil its role as stewards of the Company and its subsidiaries (collectively known as the "Group") and the Board is dedicated to discharge its duties and responsibilities with due care, skills and diligence. The Board has overall responsibility and strategies for promoting the sustainable growth and financial soundness of the Group.</p> <p>The roles and responsibilities of the Board are set out in the Board Charter and the Board Committees' roles and responsibilities in discharging its functions which had been delegated by the Board are set out in each respective Board Committees' Terms of Reference ("TOR").</p> <p>The Board, management and employees of Insas Group are committed to adhere to the Code of Conduct &amp; Ethics, which is further articulated in Practice 3.1.</p> <p>The Board Charter, Code of Conduct &amp; Ethics and TORs of the Board Committees are available at the Company's website at <a href="http://www.insas.net">www.insas.net</a>.</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 1.2

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 role of the Chairperson of the Board is set out in the Board Charter.</p> <p>The Chairperson engages with Board members and Management to ensure that the Board can perform its responsibilities effectively.</p> <p>The Chairperson leads the Board and Nomination and Remuneration Committee in monitoring corporate governance practices, including the systems and procedures and regular updates and tracking of corporate governance compliance with Malaysian Code on Corporate Governance ("MCCG"). In addition, the Chairperson leads Board meetings and discussion by encouraging active participation and allowing dissenting views to be freely expressed during Board deliberations. At the end of each Agenda item, the Chairperson summarises the views, consensus, position, and decision taken by the Board.</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 positions of the Chairperson and CEO are held by two different individuals to ensure that there is a balance of power and authority.</p> <p>The Board Charter of Insas Berhad provides that the Chairperson must be a Non-Executive Director. The role of Chairperson is distinguished from that of the CEO's roles with clear division of responsibilities as outlined in the Board Charter which is available on Insas Berhad's website at <a href="http://www.insas.net">www.insas.net</a>.</p> <p>The Chairperson is primarily responsible to provide leadership at Board level and represents the Board to the shareholders.</p> <p>The CEO provides executive leadership and has overall responsibility for the operational activities of the Group and implementation of the Board's policies, strategies and decisions.</p> <p>In managing the business affairs, the CEO is assisted by the Management of Insas Berhad.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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>The Company Secretaries who are members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) are competent, qualified and possess the required experience to act as Company Secretaries under Section 235(2)(a) of the Companies Act, 2016.</p> <p>The roles and responsibilities of the Company Secretaries include:-</p> <ul style="list-style-type: none"> <li>a) Advise on implications of any changes therein to the Company and Directors in relation to their duties and responsibilities;</li> <li>b) Attend Board and Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly; and</li> <li>c) Advise the Board on any corporate announcements released to Bursa Malaysia Securities Berhad, impending restriction in dealing with the securities of the Company prior to the announcements of financial results and corporate proposals and new statutory and relevant regulatory requirements, guidelines or directives issued by Bursa Malaysia Securities Berhad, the Securities Commission and other relevant regulatory authorities.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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>The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman, together with the Senior Management and the Company Secretaries, are responsible for ensuring Directors receive adequate and timely information prior to the Board and Board Committee meetings.</p> <p>An agenda and board reports containing information relevant to the business for consideration at the Board meetings are circulated timely to enable the Directors to obtain information and explanation to enable them to discharge their duties and responsibilities competently and in a well-informed manner.</p> <p>The Board proceedings, deliberations and conclusion of the Board at every Board meeting are duly recorded in the Board minutes and all minutes are signed by the Chairman of the meeting in compliance with the Companies Act, 2016. The meeting minutes capture the key deliberations and conclusions of issues discussed in the meetings, which are communicated to the Management in a timely manner to ensure proper execution when needed.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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 Company's Board Charter is subject to review from time to time to ensure the Company remains at the forefront of best practices of Corporate Governance.</p> <p>The Board Charter is publicly made available on the Company's website at <a href="http://www.insas.net">www.insas.net</a>.</p> <p>The roles and responsibilities of the Board, the Chairperson, the Chief Executive Officer and individual Directors as well as the formal schedule of matters reserved for the Board are set out 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

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 strives to instil ethical values and standards across every level in the Group. In this regard, the Board has put in place a Code of Conduct &amp; Ethics which subject the members of the Board, senior management and employees of the Group to a set of values and standard of conduct that is expected of them.</p> <p>The Code of Conduct &amp; Ethics ("Code") of the Company provides clear direction on conducting business, guidance on disclosure of conflict of interest situations, maintaining confidentiality and disclosure of information, good practices and internal control and a duty to report when there is a breach against the Code.</p> <p>The Code is applicable to all Directors and employees (including full time, probationary, contract and temporary staff) of the Group. The Code is publicly made available on the Company's website at <a href="http://www.insas.net">www.insas.net</a>.</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 3.2

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 Whistleblowing Policy of Insas Berhad is adopted and implemented to:-</p> <ul style="list-style-type: none"> <li>a) Provide an avenue for all employees and third parties to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders;</li> <li>b) Provide proper internal reporting channel to make a disclosure to disclose any improper or unlawful conduct in accordance with the procedures as provided for under this policy;</li> <li>c) Address a disclosure in an appropriate and timely manner;</li> <li>d) Provide protection for the whistleblower from reprisal as a direct consequence of making a disclosure and to safeguard such person's confidentiality; and</li> <li>e) Treat both the whistleblower and the alleged wrongdoer fairly.</li> </ul> <p>The Board, together with the senior management, reviews the Whistleblowing Policy periodically to ensure the policy is kept contemporaneous.</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 4.1

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>The Board comprises of six (6) members, two (2) of whom are Independents Directors including the Chairperson. The present composition of the Board is in compliance with Chapter 15, Paragraph 15.02 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, that at least two (2) directors or one-third (1/3) of the Board, whichever is the higher, are Independent Directors.</p> <p>The Nomination and Remuneration Committee has assessed the Board composition and acknowledged that the current size and composition of the Board will need to be reviewed to provide a balance mix of skills and experience, as well as the objectivity required in the boardroom.</p> <p>The Board recognises the value of having more independent directors on the Board in promoting objectivity during boardroom deliberations and impartiality in the decision making process and is mindful of the recommendation of the MCGG that the Board must comprise of at least half of Independent Directors.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	The Board will continuously identify suitably qualified candidates that can reinforce the independence of the Board and contribute to the effective governance of the Group to be appointed on Board to fulfil the requirements of MCGG.
<b>Timeframe</b>	:	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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company does not have a policy to limit the tenure of its Independent Directors to 9 years. The Nomination and Remuneration Committee has reviewed and was of the opinion that a Director's independence cannot be determined solely with reference to his tenure of service. Instead, a Director's integrity, business knowledge or judgment, ability for dispassionate discourse, and the discharge of his duties and responsibilities in the best interest of the Group, are also valid criteria to determine his independence and effectiveness. Hence, Insas Berhad intends to seek shareholders' approval to retain the following Independent Directors in their present capacity:-</p> <ul style="list-style-type: none"><li>a) Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP who has served the Board for more than twelve (12) years as Independent Director and the Board intends to retain her as Independent Director by seeking shareholders' approval at the forthcoming AGM through a single tier voting process. This is a temporary departure from the prescribed practice of MCCG on the voting procedure until such time that the Company's Constitution is amended to include a two-tier voting process.</li><li>b) Mr. Oh Seong Lye who has served the Board for more than nine (9) years as Independent Director and the Board intends to retain him as Independent Director by seeking shareholders' approval at the forthcoming AGM.</li></ul>

*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 continuously identify suitably qualified candidates who possess the independence to be appointed on the Board to fulfil the requirements of MCCG. The Board will take steps to review and amend the Company’s Constitution to include the two-tier voting process. Under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company has to amend its Constitution latest by 31 December 2019. The Company will review and consider to incorporate /adopt the two-tier voting process into its Constitution in due course.	
<b>Timeframe</b>	: 1 year	

### **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 Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. Having a range of diversity dimension brings different perspectives to the boardroom and to various levels of Management within the Group.</p> <p>The Nomination and Remuneration Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the Nomination and Remuneration Committee is detailed in its Terms of Reference, which is accessible for reference on the Company's website at <a href="http://www.insas.net">www.insas.net</a>.</p> <p>In making recommendations to the Board, the Nomination and Remuneration Committee considers and assesses the suitability of a new appointment based on objective criteria, including:-</p> <ul style="list-style-type: none"> <li>• Qualification;</li> <li>• Required competencies, skills, expertise and experience;</li> <li>• Specialist knowledge or technical skills;</li> <li>• Professionalism and integrity; and</li> <li>• Time commitment to the Company.</li> </ul>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>There are two (2) female Directors on the Board of the Company, which is more than 30% of the Board.</p> <p>The Nomination and Remuneration Committee believes in providing equal opportunities to both genders based on merit against objective criteria with due regards to the individual's qualification, working experience, independence and good judgment to complement the Board's skillset to ensure the Board is able to discharge its duties effectively in the best interest of the Company and its shareholders.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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 4.6**

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>	:	The Nominating and Remuneration Committee is responsible for recommending suitable candidates for Directorship to the Board. In identifying candidates for appointment of Directors, the Nomination and Remuneration Committee relies on varied sources from recommendations by existing Board members, management or major shareholders as well as independent external referrals and search firms.	
<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 and Remuneration Committee is chaired by Y.A.M Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, who is an Independent Director.</p> <p>The Board is cognisant that an effective evaluation, recruitment and remuneration process of Directors is essential for a high performing Board and therefore views that Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP, who is an Independent Director is suitably qualified to lead the conduct of the Nomination and Remuneration Committee in an effective and objective manner.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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 Nomination and Remuneration Committee is responsible for the Board Effectiveness Evaluation process, covering the Board, Board Committees and individual Directors, including Independent Directors.</p> <p>The Nomination and Remuneration Committee, upon conclusion of the Board Effectiveness Evaluation exercise, was satisfied that the Board and Board Committee composition had fulfilled the criteria required and possess a right blend of knowledge, experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and robust decision-making process. Independent Directors were assessed to be objective in exercising their judgment.</p> <p>The Board Effectiveness Evaluation for the financial year 2018 was conducted internally and facilitated by the Company Secretaries. The Board Effectiveness Evaluation was conducted using questionnaires that were administered by the Company Secretaries which employ a self-rating assessment model.</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 takes 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 take 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 adopted a formal and transparent Remuneration Policies and Procedures ("RPP") which is available on the Company' website at <a href="http://www.insas.net">www.insas.net</a> to attract and retain Directors. The RPP shall adhere to the following key principles:-</p> <ul style="list-style-type: none"> <li>• The remuneration packages are linked to performance, service seniority, experience and scope of responsibilities and industry market rate;</li> <li>• Remuneration and incentives for Independent Directors should not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Committees and Board meetings; and</li> <li>• Provide an appropriate level of transparency which shareholders would understand.</li> </ul> <p>The Nomination and Remuneration Committee shall assist the Board in implementing the Company's remuneration practices with the aims of attracting, motivating and retaining high calibre Executive Directors and Non-Executive Directors to deliver value for shareholders.</p> <p>The Board will monitor and review the RPP periodically to ensure that it continues to remain relevant and appropriate and that the Directors are paid fairly and in line with market and industry norms.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

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

## Intended Outcome

The level and composition of remuneration of directors and senior management takes 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 Nomination and Remuneration Committee is responsible to ensure that the members of the Board are fairly rewarded for their individual contributions to the Company's overall performance and the levels of remuneration should be sufficient to attract and retain talents to run the Company successfully.</p> <p>In this respect, the role of the Nomination and Remuneration Committee is detailed in its Terms of Reference, which is accessible for reference on the Company's website at <a href="http://www.insas.net">www.insas.net</a>.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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>	:	<p>The Nomination and Remuneration Committee aims to set remuneration at levels which is sufficient to attract and retain the Directors needed to run the Group successfully, taking into consideration the function, workload and responsibilities involved, after giving due consideration to the compensation levels for comparable positions among other listed issuers. The remuneration of the Independent Non-Executive Directors is approved by the shareholders at the Annual General Meeting of the Company.</p> <p>The detailed disclosure on named basis for the remuneration of the Directors of the Company for the financial year ended 30 June 2018 are included in the Corporate Governance Overview Statement in the Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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 7.2

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>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The three Executive Directors on the Board also constitute three of the top five senior management of the Group and are the highest paid senior management personnel within the Group.</p> <p>The Board acknowledged that disclosure of remuneration of the senior management on a named basis provides transparency and enable the stakeholders to assess whether the remuneration commensurate with their individual performance, taking into consideration of the Company's and the Group's performances. However, the Board also views that such disclosure at employee level for senior management have to be considered in terms of how it affects the dynamics of the workforce internally which may yield unintended outcome among the employees, who themselves are part of the Company's stakeholders. For this reason, the Board has not adopted any disclosure of such employees' remuneration.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	<p>The Board will ensure that the remuneration of senior management commensurate with the performance of the Company and the Group, with due consideration given to ensure the remuneration is fair and justifiable for the responsibilities and workload undertaken and performance yield by the senior management to lead and run the Group successfully.</p> <p>The disclosure of the remuneration of the key management personnel of the Group is disclosed under Note 48 to the Financial Statements for the financial year ended 30 June 2018.</p>



<b>Timeframe</b>	:	Others	This will be reviewed on an annual basis towards the application of Practice 7.2
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**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 Audit Committee is chaired by Mr. Oh Seong Lye, an Independent Non-Executive Director, who is not the Chairman of the Board.</p> <p>The Chairperson of the Board is Y.A.M. Tengku Puteri Seri Kemala Pahang Tengku Hajjah Aishah bte Sultan Haji Ahmad Shah, DK(II), SIMP.</p> <p>As such, the Chairman of the Audit Committee is distinct from the Chairman of the Board and by having the two Chairperson's position helmed by different individuals allows the Board to objectively review the Audit Committee's findings and recommendations.</p> <p>Mr. Oh Seong Lye is a member of the Malaysian Institute of Accountants and he possesses sound financial understanding suitable to helm the position of Chairman of the Audit Committee and to lead discussions and deliberations under the Audit Committee.</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 8.2

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>	:		
<b>Explanation for departure</b>	:	None of the members of the Audit Committee were former key audit partners of the Group's external auditors.	
		The Terms of Reference of the Audit Committee has been amended on 26 September 2018 to put in place the requirement that a former key audit partner of the Group's external auditors must observe a cooling-off period of at least two years before he can be considered to be appointed as a member of the Audit Committee, to be in line with the MCGG.	
<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 is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditors on an annual basis.</p> <p>The Board has in place an External Auditor Assessment Policy for use and reference by the Audit Committee to review the external auditor's performance on the suitability and independence of the external auditors based on the following areas:-</p> <ul style="list-style-type: none"> <li>• Communication with the management;</li> <li>• Independence, objectivity and professionalism;</li> <li>• Adequacy of resources; and</li> <li>• Quality of work and service.</li> </ul> <p>The Audit Committee has met with the External Auditor, Grant Thornton Malaysia, once, in the absence of the Management, and had monitored and reviewed the performance and independence of Grant Thornton Malaysia and is satisfied that the External Auditor has been independent throughout the conduct of the audit process and that the audit services rendered have met the quality expected by the Audit Committee. The Audit Committee has made its recommendation to the Board on the re-appointment of Grant Thornton Malaysia as the auditors of the Company for the ensuing year.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<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 8.5

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 members of the Audit Committee collectively have the necessary skills and knowledge to meet their responsibilities and to discharge their duties. Both Mr Oh Seong Lye (the Chairman of the Audit Committee) and Ms Soon Li Yen (member of the Audit Committee) are qualified accountants and are members of the Malaysian Institute of Accountants.</p> <p>The annual review of the composition and performance of the Audit Committee, including members' tenure, accountability and effectiveness were duly assessed via the annual assessment carried out by the Nomination and Remuneration Committee.</p> <p>The Directors are encouraged to attend training programmes to update themselves on new developments in the industry as well as new rules and regulations and changes in laws and regulatory requirements.</p> <p>The seminars, conferences and training programmes that the Board members have attended during the financial year ended 30 June 2018 are included in the Corporate Governance Overview Statement in the Annual Report 2018.</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

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 affirms its overall responsibility for the Group's risk management and system of internal control and to oversee the establishment of appropriate control environment as well as review the adequacy, effectiveness and integrity of the Group's internal control, risk management practices and management information system.</p> <p>The Group's system of internal control involves all management and employees of the Group from all businesses as well as functional units. The Board is responsible for determining key strategies and policies for significant risks and control issues, whilst the management team and functional key employees of the Group's operating units are responsible to implement the Board's policies effectively by designing, executing, monitoring and managing the risk management and internal control processes.</p> <p>The Board is also assisted by the Risk Management Committee in overseeing the Group's risk management framework and policies as well as to oversee the processes used to identify, evaluate and manage risk and make recommendations to the Board, including recommendation of the Group's risk appetite.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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>Risk management in the Group involves an on-going process for identifying, evaluating and managing significant risks faced by the businesses in the Group. The risk management process involves all businesses and functional units of the Group in identifying the significant risk affecting the achievement of business objectives and effectiveness of controls in place to manage them.</p> <p>The senior management and the Executive Deputy Chairman/Chief Executive Officer uphold the role to assess the key risks inherent in the businesses and the system of internal control that are in place to manage these risks, on behalf of the Board. The Group Internal Audit functions provides further independent assurance on the adequacy and effectiveness of the risk management and system of internal control and all significant exceptional reporting on the risk management and system of internal control processes are brought to the attention of the Board through the Audit Committee and Risk Management Committee.</p> <p>Further details on the management and reporting of risks as well as controls in place to mitigate and manage those risks are provided under the Statement on Risk Management and Internal Control in the Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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>In May 2018, the Company established a Risk Management Committee which consist of a majority of Independent Directors and is chaired by an Executive Director with the objective to :-</p> <ul style="list-style-type: none"><li>a) oversee the Group's risk management framework and policies;</li><li>b) assist the Board to approve and oversee the processes used to identify, evaluate and manage risk; and</li><li>c) make recommendations to the Board on the Group's risk appetite.</li></ul>

## 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 Audit Committee obtains reasonable assurance on the effectiveness of the system of internal control via the Group Internal Audit ("GIA") function, which shall be responsible for the regular review and appraisal of the effectiveness of the risk management, system of internal control and governance processes within the Group.</p> <p>The GIA function was performed by the in-house internal audit department set up in the financial year ended 30 June 2009.</p> <p>During the financial year ended 30 June 2018, the Audit Committee reviewed the Annual Audit Plan, the revised Annual Audit Plan, the internal audit reports as well as audit findings and recommendations by the GIA to improve weaknesses or non-compliance and the management's responses thereto. The Audit Committee also reviewed on an ongoing basis, the adequacy of resources and the competencies of the staff within the GIA function to ensure the GIA function has the capabilities to carry out the audit scope and audit programs in execution of the Audit Plan approved by the Audit Committee.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<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>	:	<p>The Group Internal Audit (“GIA”) function is performed in-house and undertaken by the GIA Department. The GIA Department is led by the GIA Manager, Mr. Desmond Chew, who is an associate member of the Institute of Internal Auditors Malaysia. He has 10 years of experience in internal control systems for the local commercial banking industry and another 10 years of working experience in internal auditing and compliance checks for retail operations in Malaysia, Singapore and Hong Kong.</p> <p>The GIA Manager and staff have no relationship or conflict of interest with the Group which could impair their objectivity and independence.</p> <p>The GIA report directly to the Audit Committee, whose authority is sufficient to ensure a broad range of audit coverage and adequate consideration of effective action on internal audit findings and recommendations. The GIA aims to provide the Audit Committee with independent and objective advices on the effectiveness of the system of internal control with the Group’s businesses and operations. The Annual Audit Plan, established primarily on a risk based approach, is received and approved by the Audit Committee.</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 11.1

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 the importance of maintaining effective communication with shareholders, stakeholders and the public on all material business matters affecting the Company and the Group. In addition to the announcements on the quarterly results and other corporate news, announcements for public dissemination are made periodically to capture any significant corporate event that would be of interest to investors and members of the public. The Board places emphasis on timely and equitable dissemination of information to shareholders and investors to keep them informed of the Company's and the Group's performance, corporate strategy and major developments.</p> <p>Announcements to Bursa Malaysia Securities Berhad on corporate proposals, quarterly results, annual reports and other public announcements are accessible to shareholders and the public through Bursa Malaysia Securities Berhad's website at <a href="http://www.bursamalaysia.com">www.bursamalaysia.com</a> or the Company's website at <a href="http://www.insas.net">www.insas.net</a>.</p> <p>Shareholders are presented a review of the Group's financial performance for the financial year at the Annual General Meetings ("AGM") of the Company. The Company's AGM has always been well attended and is the principal forum for dialogue and interaction with the shareholders. It has always been the practice for the Chairperson to invite the shareholders to raise any questions that they may have in relation to the Company's and the Group's activities, financial performance and prospects and the shareholders' comments and suggestion will be noted by the Board for consideration.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		

<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 (Not Applicable)	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Company is not categorised under Large Companies and hence this is not applicable to the Company.	
<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 12.1**

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>	:	The Notice of the 56th AGM is dated 31 October 2018, which is 28 days prior to the Company's AGM to be held on 28 November 2018.	
<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 12.2**

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>	:	All members of the Board attended the last Annual General Meeting (“AGM”) in 2017. Members of the Board, the Board Committees and the senior management were in attendance to respond to the shareholders’ enquiries.	
<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>	:	The forthcoming 56th AGM will be held at Dewan Berjaya, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur.	
		<p>The Company had always conducted its general meetings in the Klang Valley at locations which are accessible by the shareholders. It is currently not cost effective or practical for the Company to leverage on technology to facilitate shareholders' voting in absentia or having remote shareholders' participation at general meetings.</p> <p>The shareholders are entitled to appoint any person(s) as their proxies to attend, participate and vote in his/her/their stead at a general meeting.</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 closely monitor the development of this practice in the marketplace for future consideration.	
<b>Timeframe</b>	:	Others	This will be reviewed on an annual basis towards the application of Practice 12.3

**SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES  
PERSUANT 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.*

Not Applicable to the Group.
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