

HARN LEN CORPORATION BHD (502606-H)

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The responsibilities of the Board of Directors are set out in the Board Charter of Harn Len which has been approved in 2013, and revised in 2016 and 2018.</p> <p>The Deputy Executive Chairman who presides as Chairman of the Board is responsible for ensuring good conduct and governance of the Board while the MD have effective leadership in the organization and overall responsibility for the day-to-day management of the business and implementation of the Board's corporate strategies, policies and decisions.</p> <p>The Board Committee's role, duties and responsibilities in discharging their functions are defined in their respective Terms of Reference which are set out in the Board Charter.</p> <p>The Board reserves full decision-making powers, amongst others, on the following matters (save to the extent that the Board resolves that determination and/or approval of any such matter shall be delegated to the Committees of the Board or Management):-</p> <ul style="list-style-type: none">a) Conflict of interest issues relating to a substantial shareholder or a Director;b) Material investments in capital projects;c) Annual budgets (including major capital commitments);d) Material corporate or financial exercise /restructuring;e) Declaration of Dividend and Directors' fees; andf) Material acquisitions and disposals of undertakings and properties not in the ordinary course of business.
	:	

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

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>Currently, the Board is headed by the Deputy Executive Chairman, Puan Sri Datin Chan Pui Leorn (DEC), whom is appointed as Chairman to preside at Board and General meetings.</p> <p>The DEC</p> <ul style="list-style-type: none"> • ensures proper conduct of meetings and encourages participation and deliberations at Board and Shareholders' Meeting; and • assist in setting the Board agenda. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>Presently, the Deputy Executive Chairman (DEC), Puan Sri Datin Chan Pui Leorn presides as Chairman of the Board at each Board Meeting while the Group Managing Director, Mr Low Quek Kiong assumes overall responsibilities for the day to day management of entire operations of the Group.</p> <p>Their respective roles and responsibilities of the Chairman and Group Managing Director are clearly stated in the Board Charter to ensure balance of power and authority.</p> <p>In addition, the Company has appointed a Senior Independent Director who could alert the Chairman and avert instances whereby any one person can dominate the Board's discussion and decision making during proceedings of Board Meetings.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group engages the services of Tricor Corporate Services Sdn Bhd, an external consultant, on corporate secretarial matters and compliance to provide additional advice on issues pertaining to regulatory developments and legislative changes.</p> <p>Three (3) Company Secretaries, two from Tricor and one in-house Secretary with the relevant working experience and recognised qualifications as prescribed by the Companies Act, 2016 are appointed to serve and provide active support to the Board and Board Committees which include the following duties (but not limited) to the following aspects :</p> <ul style="list-style-type: none">a) Ensure compliance of listing and related statutory obligations as well as updates on regulatory requirements, codes, guidance and relevant legislation and communicate with regulatory bodies;b) Advise the board on its roles and responsibilities;c) Attend Board, Committees and General Meetings, and ensure the proper recording of minutes as well as follow-up on matters arising;d) Ensure proper upkeep of statutory registers and records, papers and minutes of meetings;e) Assist the Chairperson in the preparation for and conduct of meetings and agenda of meetings;f) Organising and attending Board, Board Committees and Annual General Meetings and preparing the minutes thereof;g) Compiling and circulation of Board and Board Committee papers;h) Advising the Board on corporate governance issues;i) Facilitating the Board in conducting the Board Effectiveness Assessment;j) Organising and facilitating suitable and relevant training for the directors; andk) Attending to all statutory and other filings. <p>They have attended continuing professional development workshops and seminars to update themselves on regulatory developments and legislative changes.</p>
	:	

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Prior to each Board Meeting, the Agenda for the meeting are circulated 7 days before the meeting. Thereafter, the board papers are furnished to all Directors for their perusal within a reasonable period before each Board Meeting. Directors can obtain further clarifications from the Senior Management and Secretary.</p> <p>The materials for Board Meeting file includes, amongst others, financial results and forecasts, budget, quarterly report for related party transactions, capital commitments, corporate proposals, progress report of operations, minutes of meetings of the Board, matters arising and of the compliance of regulatory issues.</p> <p>Senior Management and external advisors are invited to brief and advise the Board as and when required on their respective areas and on matters to be deliberated.</p> <p>All matters deliberated and resolutions passes at each Board meeting are recorded in the minutes of the meeting. These minutes of meetings are circulated to all Directors and Board Committees for their confirmation in a timely manner. The Secretary issues a summary of matters arising from the Board Meeting for action to be taken by the Management.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board Charter was adopted by the Board on 27 August 2013.</p> <ul style="list-style-type: none"> • It sets out amongst others, the governance structure, roles and responsibilities of the Board, the functions of the Board Committees, procedures for Board Meetings, directors' remuneration, and investor relations and shareholder communication. • Any subsequent amendment to the Board Charter can only be approved by the Board. The Board Charter would be periodically reviewed and updated in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities. • The last review was on 26 February, 2018. • The Board Charter is available on the Harn Len's website at www.harnlen.com.my.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Code of Conduct and Ethics (COCE) for the Company was adopted on 22 April, 2013. The COCE was last updated and approved by the Board on 26 February, 2018.</p> <p>A copy of the full text of the COCE is available on request by any employee and also hosted on the Company's website at www.harnlen.com.my.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application :	Applied	
Explanation on application of the practice :	<p>REPORTING PROCEDURES</p> <p>Any concern should be raised with immediate superior/manager. If for any reason, it is believed that this is not possible or appropriate, then the concern should be reported to Managing Director, Mr Low Quek Kiong and/or the Audit Committee Chairman, Mr Loh Wann Yuan.</p> <p>i) All reports will be investigated promptly by the person receiving the report.</p> <p>ii) The whistleblower shall be informed of the outcome of the investigation.</p> <p>iii) All investigations shall be tabled to the Audit Committee of the Board that has the authority to ensure effective implementation of the whistleblowing policy. The Audit Committee shall update the Board of Directors on reports that require their attention and approval.</p> <p>The Whistle Blowing Policy is made available on the Company's official website at www.harnlen.com.my.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>Currently, only one-third of the Board comprised independent directors (IDs) as stipulated under the Bursa's Main Market Listing Requirements.</p> <p>Although the ID is made up of only one third, they are able to demonstrate objectivity and independence in Board discussions on related party transactions and ensure that all investments of non-core assets are deliberated at length and decisions made are in the best interest of the Company. The IDs are able to express their independent views without undue influence from the Executive Directors.</p> <p>AC which comprises all IDs provide a platform for IDs to discuss with internal auditors/external auditors without the presence of senior management. At such meetings, the existing number of IDs despite only being 1/3 of the Board composition, are able to express their views and concerns without constraints. The Board benefits from the ID's independent views before decisions are made.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied – Annual Shareholders' approval for independent directors serving beyond 9 years.	
Explanation on application of the practice	:	<ul style="list-style-type: none"> • Three (3) of the independent directors (IDs), namely, Mr Loh Wann Yuan, Mr Law Piang Woon and Brig. Jen. (B) Dato' Ali Bin Haji have served the Board for more than 9 years. • An annual assessment on independency of the IDs was carried out by the Nominating Committee (NC) to determine their independency. The results revealed that they have met the criteria set out in the Main Market Listing Requirements. • During their tenure, the IDs have continued to display and exercise their independence and carried out their professional duties in the best interest of the Company and shareholders. • The NC's recommended that the ID be retained in view of their diverse experience in areas of banking, public sector administration, finance, accounting, tax, and legal and that they have demonstrated objectivity and independence in AC/ Board deliberations and decisions making. • Annual Shareholders' approval were obtained for retention of the three (3) IDs to continue to serve the Board. 	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application :	Not Adopted
Explanation on adoption of the practice :	

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.

Application :	Applied	
Explanation on application of the practice :	<ul style="list-style-type: none">• The Company does not have a discriminating policy on gender, ethnicity, age and different cultural background.• The Board has one female director and there are women at senior management level.• There are two bumiputra Independent Non-Executive Directors.• The age of the Directors vary from 30 years to 77 years.• During the year, there was no change to the composition of the Board. However, the Board pursues diversity at both Board and Senior Management. Their appointments are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. <p>The profiles of the Directors and Senior Management Team are described on pages 14 to 21 of the Annual Report.</p>	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<ul style="list-style-type: none">• The Board has no policies on gender diversity.• The Board is supportive of gender diversity in the Board and Senior Management and is committed to identify suitable female candidates to the board in the event there is vacancy in the Board.• Currently, there is one female director who is the Deputy Executive Chairman, Puan Sri Datin Chan Pui Leorn who has been appointed since 1 March, 2011.• There is also one woman in the Senior Management Team.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>There was no new appointment during the year. The last appointment was in 2015. The NC will consider the following primary requirements when reviewing and recommending new appointments :</p> <ul style="list-style-type: none"> • the candidate’s independence, in the case of an Independent Non-Executive Director; • the composition requirements for the Board and Board Committees; • the candidate’s age, integrity, educational background, experience, skills and industry knowledge; and • the candidate’s time commitment. <p>The NC may also source suitable potential Board candidates from the professional avenues and open to referrals when Board vacancies arises.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Nominating Committee (NC) comprises all Independent Directors.</p> <p>The current members are:</p> <ul style="list-style-type: none"> • Mr Loh Wann Yuan (Chairman) • Brig. Jen. (B) Dato Ali Bin Hj Musa • Mr Law Piang Woon • En Mohamed Akwal Bin Sultan Mohamad <p>Mr Loh Wann Yuan, the Senior Independent Directors, is the Chairman of the NC.</p> <p>The role of Chairman of the NC includes leading its Committee to discharge their duties and responsibilities within their Terms of Reference.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Company Secretary initiates the performance evaluation for each individual directors. The Board performed the evaluation based on experience, contribution, knowledge in the industry, calibre and time commitment to discharge their duties. The performance evaluations forms are completed by each directors. The Company Secretary will then extract the results for presentation to the Nominating Committee. The NC reports the post evaluations results to the Board for their notation.</p> <p>As for Board Committees, their performance are evaluated by the NC on areas of composition, sufficient time devoted by its members, knowledge of work and timely communication of minutes of the respective committees to the Board.</p> <p>The NC recommends training and development proposals to better assist them in the discharge of their duties and responsibilities.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Board has in place a Remuneration Policy for the Directors which is available at its website at www.harnlen.com.my .	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Remuneration Committee (RC) comprises of the following three (3) Independent Directors and one (1) Executive Director.</p> <p>The current members are:</p> <ul style="list-style-type: none"> • Brig. Jen. (B) Dato Ali Bin Hj Musa (Chairman) • Mr Loh Wann Yuan • Mr Lee Chon Sing (Executive Director) • En Mohamed Akwal Bin Sultan Mohamad <p>The remuneration package (RP) of each Executive Directors are reviewed annually by the RC. Prior to reviewing, the RP are benchmarked to ensure that the RP offered to EDs remain appropriate and competitive. The RC recommends the RP to the Board for approval.</p> <p>Non-Executive Directors' fees are determined by the Board as a whole.</p> <p>During the year, the RC has undertaken the following responsibilities:</p> <ul style="list-style-type: none"> • Deliberated and recommended the quantum of bonus to be paid to the Executive Directors; • Reviewed and recommend Directors' benefits payable; and • Reviewed of allowances paid to Board Committees. <p>The Terms of Reference of the Remuneration Committee are published in the company's website at www.harnlen.com.my</p>
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 7.1

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.

Application	:	Applied	
Explanation on application of the practice	:	The fees and benefits in kind payable to Directors are disclosed in detail in the Annual Report on page 34.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure		The Company have disclosed the top five (5) senior management's remuneration component in bands width of RM50,000 but not on named basis due to confidentiality and sensitivity of each remuneration package.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 7.3 - Step Up

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

Application :	Not Adopted
Explanation on adoption of the practice :	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Chairman of the Audit Committee is the Senior Independent Director, Mr Loh Wann Yuan while the Chairman who presides over Board Meetings is the Deputy Executive Chairman, Puan Sri Datin Chan Pui Leorn.</p> <p>The chairmanship of AC and Board which are held by different individuals will enable to the Board to review the AC's findings and recommendations objectively.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	None of the Audit Committee (AC) member is a former key audit partner. The policy is specified in the Terms of Reference of the AC.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Terms of Reference of the AC stipulates that it recommends appointment of external auditors by assessing its staffing and competence in performing their work.</p> <p>The AC also assessed if the External Auditors has approached their audit with objectively, independently and professionally at the AC Meeting prior to their recommendation for re-appointment.</p> <p>A formal policies and procedures has been established for appointment of external auditors which is available at the Company's website, www.harnlen.com.my</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Adopted
Explanation on adoption of the practice	:	The Audit Committee comprises of four (4) members who are all Independent Non-Executive Directors.

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The existing Audit Committee have vast working experience in areas of finance, legal, accounting and high level administration.</p> <p>Members of the Audit Committee have attended a workshop relating to MFRS 14, 15 and 16 and other seminars as disclosed in the Annual Report on page 33.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	The risk management and internal control framework has been established to ensure a structured and consistent approaches and methods are practiced in the on-going process of identifying, evaluating, managing and monitoring the significant risks that affect the attainment of the Group's business objectives and goals.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Risk Management and Internal Control framework adopted is of ISO model.</p> <ul style="list-style-type: none"> • Review and approval of Risk Management (RM) Policy & Risk Management Oversight structure by the Board. • Review and approval of Key Risk Profile. • Risk Management Committee reviews all risk identified to ensure that such risks are adequately managed. • Internal Audit Function is outsourced to Ernst & Young who present Internal Audit Review to the Audit Committee. • All internal audit findings are communicated by the AC to the Board. <p>The details are also disclosed in the Statement of Internal Control and Risk Management on page 55 to 58 of the Annual Report.</p>
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	The Board established a Risk Management Committee comprises of four members, one independent director, two executive directors and a Financial Controller.

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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Internal Audit function is outsourced to Ernst & Young. During the year, several internal audit reports were issued to the Audit Committee on major business units which encompassed identification and assessment of business risks.</p> <p>The AC then subsequently escalates issues identified for improvements to the Board and Management for their action and implementation.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence.</p> <ul style="list-style-type: none"> • Internal audit function is outsourced to EY. • The key elements of the Group’s internal control system are disclosed in the Statement of Risk Management and Internal Controls on pages 55 to 58 of the Annual Report.
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application :	Applied	
Explanation on application of the practice :	<ul style="list-style-type: none"> • Website at www.harnlen.com.my is key communication channel where email address and contacts of the Company are made available. <p>Contact details for queries can be directed at 07-2221777 or emailed to general@harnlen.com.my.</p> <ul style="list-style-type: none"> • The Annual General Meeting (AGM) is held in location which is easily accessible to the public. • The AGM is a principal forum for dialogue and interaction with the shareholders. • At AGM, questions raised by the shareholders are responded with explanations by the directors and management team. • Annual Reports, Interim Financial Reports, and all announcements are made available on the Company's website. • The website is updated regularly. 	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	Not Applicable to Harn Len	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	Notice of AGM are despatched to shareholders via postal services more than 28 days prior to the AGM.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied	
Explanation on application of the practice	:	All Directors attended the Annual General Meeting (AGM) in 2017. The Chair of the respective committees were present to answer any questions raised. Questions raised by shareholders during the AGM were answered by Board members and Management Team.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	The Company’s Annual General Meeting has always been held in the city centre of Johor Bahru where its headquarters is located. Shareholders are entitled to appoint representatives or proxy/proxies/Chairman to vote on their behalf in their absence.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Final Draft Reviewed By & Approved

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