

CORPORATE GOVERNANCE REPORT

STOCK CODE : 7501
COMPANY NAME : HARN LEN CORPORATION BHD
FINANCIAL YEAR : December 31, 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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("Board") recognises the key role it plays in charting the strategic direction of the Group, comprising the Company and its subsidiaries. To achieve this, the Board has carried out the following activities during the financial year under review and up to the date of this Corporate Governance Report:</p> <ol style="list-style-type: none">(1) Deliberation of strategic initiatives of the Board at its scheduled quarterly meetings where the goals of the Group were also discussed and formalised, culminating in the development of a comprehensive Group budget for the Board's approval. Resources were identified and allocated accordingly towards meeting such goals and objectives. In respect of any new business ventures, a proper and well researched meeting paper was required for tabling at the Board meeting so that the matter could be deliberated and decided without delay;(2) Review of quarterly and year-end results of the Group prior to announcement of the same to Bursa Malaysia Securities Berhad ("Bursa Securities"). During these meetings, the operational and financial performance of the Group, together with any material development and issues relating to the business of the Group, were discussed and, where considered appropriate, remedial measures were taken;(3) Update received from the Audit Committee Chairman on the outcome of internal audit, the report of which was issued by the independent out-sourced internal audit function, and endorsed corrective actions based on recommendations proposed by the internal audit function. This process served to apprise the Board on the adequacy and operating effectiveness of the Group's system of internal controls;(4) Through the Enterprise Risk Management Committee (a Management Committee overseeing risk management activities in the Group) Chairman, the Board was apprised of the business

	<p>risks which were identified, evaluated and scored for likelihood of occurrence and the impact thereof based on a structured ERM Framework. The top five (5) risks faced by the Group were singled out with remedial measures implemented to manage such risks to acceptable levels. For more information on how the Board was fully apprised on the adequacy and operating effectiveness of the Group's system of risk management and internal control, refer to the Group's Statement on Risk Management and Internal Control included in the 2018 Annual Report; and</p> <p>(5) Recognising the importance of stakeholder communication, the Board has put in place certain avenues, for example primary communication with shareholders is through:</p> <ul style="list-style-type: none"> • the Annual General Meeting where the Chairman at the last Annual General Meeting invited shareholders who were present to engage in the resolutions being tabled for voting; and • a corporate website (www.harnlen.com.my) has been established to provide a platform for shareholders, prospective investors and other stakeholders the opportunity to stay abreast of the Group's development, including financial and other announcements made to Bursa Securities. 	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

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>The Board is currently helmed by the Deputy Executive Chairman, Puan Sri Datin Chan Pui Leorn (DEC), who is appointed as Chairman to preside at Board and General meetings.</p> <p>Based on the Company's Board Charter, last revised and approved in February 2018, the roles of Chairman at the said meetings encompass the following:</p> <ul style="list-style-type: none">• monitor the workings of the Board, especially the conduct of Board meetings;• Ensure that relevant issues for the effective running of the Company's business are on the agenda;• Ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis;• Encourage all Directors to play an active role in Board activities and allowing dissenting views to be freely expressed;• Liaise with the Group Managing Director and the Company Secretary on the agenda for Board meetings;• Provide guidance and mentoring to the Group Managing Director;• Ensure the process of Board evaluation is conducted;• Ensure appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;• Lead the Board in establishing and monitoring good corporate governance practices in the Company;• Fulfil such other responsibilities as are allocated by the Company's Constitution from time to time; and• Ensure the Executive Directors look beyond their executive functions and accept full share of responsibilities on governance.
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	:		
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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>These key positions are helmed by two (2) different persons. 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 largely assumes overall responsibilities for the day-to-day management of the entire Group's operations.</p> <p>The roles and responsibilities of the Chairman are disclosed under Practice 1.2 above whilst those of the Group Managing Director, based on the Board Charter, are set out below:</p> <ul style="list-style-type: none"> • Oversees the day-to-day operations to ensure smooth and effective running of the Group; • Develops and implements strategies for the Group and sets overall strategic policy and direction of the Group's business operations based on effective risk management controls; • Ensures financial management practices are performed at the highest level of integrity and transparency and that the business and affairs of the Group are carried out in an ethical manner and in compliance with relevant laws and regulations; • Provides effective leadership to the Group and ensures high Management competency and that effective management succession plan is in place to sustain continuity of operations; • Serves as conduit between the Board and Management in ensuring the success of the Company's governance and management functions; and • Implements policies, strategies and decisions dispensed by the Board, including the delegation of authorities conferred by the Board to the Group Managing Director. <p>In addition, the Company has appointed a Senior Independent Director who alerts the Chairman and avert instances where any one person can dominate the Board's discussion and decision-making during proceedings of Board Meetings.</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

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 Company engages the services of Tricor Corporate Services Sdn. Bhd. ("Tricor"), an external consulting firm on corporate secretarial and associated compliance matters, to provide additional advice on issues pertaining to regulatory developments and legislative changes.</p> <p>Three (3) named Company Secretaries, i.e. two (2) from Tricor and one in-house, 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. The key duties of the Company Secretaries include, inter-alia, the following:</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 communication with regulatory bodies;(b) Advise the Board on its roles and responsibilities;(c) Organise and attend Board, Committee and General Meetings, and ensure the proper recording of minutes as well as follow-up on matters arising;(d) Ensure proper keeping 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) Compile and circulate Board and Board Committee papers;(g) Advise the Board on corporate governance issues;(h) Facilitate the Board in conducting the Board Effectiveness Assessment;(i) Organise and facilitate suitable and relevant training for the Directors; and(j) Attend to all statutory and other filings. <p>The Company Secretaries 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>Before each Board Meeting, the Agenda for the meeting, setting out the list of matters to be deliberated, is normally circulated seven (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 before or at the meeting.</p> <p>The materials for Board Meeting file include, 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 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 actions to be taken by the Management.</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 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 first adopted by the Board on 27 August 2013 and has been revised in tandem with changes to legislations as well as the Main Market Listing Requirements of Bursa Securities.</p> <p>The Charter, which was last revised on 26 February 2018, sets out the following key captions:</p> <ul style="list-style-type: none">• The Company's Governance structure;• Roles of the Board encapsulating ethics and compliance; policies and strategies; and internal controls and risk management;• Roles of individual Directors;• Roles of Senior Independent Director;• Roles of Chairman;• Roles of Group Managing Director;• Roles of Board Committees;• Board Composition;• Appointments and re-election of Directors;• Tenure of Directorship;• New Directorship in other listed entity;• Board meetings;• Directors' remuneration;• Declaration of interests;• Access to independent professional advice, Company Secretaries and other officers;• Directors' training and continuing education;• Company secretary;• Investor relation and shareholder communication;• Code of Ethics and Conduct; and• Review of Charter. <p>The Board also has a formal schedule of matters reserved to it for decision, save to the extent the Board resolves that determination and/or approval of any such matters shall be delegated to the Board Committees or Management). Such matters comprise:</p>

	<ul style="list-style-type: none"> • Conflict of interest issues relating to a substantial shareholder or Director; • Material investments in capital projects; • Annual budgets (including major capital commitments); • Material corporate or financial exercise/restructuring; • Declaration of dividend and Directors' fees; and • Material acquisitions and disposals of undertakings and properties not in the ordinary course of business. <p>Any subsequent amendment to the Board Charter can only be approved by the Board. The Board Charter is 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 Board Charter is available 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 3.1

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 first adopted on 22 April 2013 and has since been refreshed based on the needs of the Company. 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 it is 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>The Company has established a whistle blowing policy and procedure document to enable employees and external stakeholders like shareholders, suppliers, and customers to report genuine concerns about unethical behaviour, malpractices, illegal acts of failure to comply with regulatory requirements without fear of reprisal if they act in good faith when reporting such concerns.</p> <p><u>Reporting Procedures</u></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 the Group Managing Director, Mr. Low Quek Kiong and/or the Audit Committee Chairman, Mr. Loh Wann Yuan.</p> <ul style="list-style-type: none"> i) All reports will be investigated promptly by the person receiving the report; ii) The whistle-blower shall be informed of the outcome of the investigation; and 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 on reports that require their attention and approval. <p>The Whistle Blowing Policy is made available on the Company's official website www.harnlen.com.my</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

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	:	At the end of the financial year, the Board comprised twelve (12) Directors; eight (8) of whom are Executive Directors and the remaining four (4) Independent Non-Executive Directors (“INED”). As such, only one-third of the Board comprised INED which fulfils the Main Market Listing Requirements of Bursa Securities on Independent Director composition, i.e. one third of the Board members or two (2), whichever is higher, shall be Independent.	
		<p>Although the INED is made up of only one third of the Board members, they are able to demonstrate objectivity and independence in Board discussions, especially on related party transactions, and ensure that all investments of assets are deliberated at length and decisions are only made in the best interest of the Company and not detrimental to minority shareholders. The INED are able to express their independent views without undue influence from the Executive Directors or major shareholders.</p> <p>In addition, the INED with their extensive knowledge of the Group’s business and understanding of the Board culture, bring with them a strong level of influence to provide the relevant checks and balances to the Executive Directors, such that no one individual has unfettered powers in making or influencing decisions at the Board level.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>At the end of the financial year, there were three (3) Independent Non-Executive Directors (INED), namely, Mr. Loh Wann Yuan, Mr. Law Piang Woon and Brig. Jen. (B) Dato' Ali Bin Haji who have each served the Board as INED for more than 12 years.</p> <p>The Board has assessed, via the Nomination Committee, their independence and performance for the financial year under review and, accordingly, recommended them for shareholders' approval at the forthcoming Annual General Meeting of the Company to be held in June 2019 to continue to serve as Independent Non-Executive Directors of the Company for the ensuing year.</p> <p>For the financial year under review, apart from being satisfied that they fulfilled the criteria under the definition of Independent Non-Executive Director provided in the Main Market Listing Requirements of Bursa Securities, the Board believes the following justifications are sufficient and appropriate for it to recommend their extensions as Independent Non-Executive Directors to be voted by shareholders, according to a single-tier voting process instead of a 2-Tier voting process (see further below for the rationale of deploying the single-tier voting process), at the forthcoming Annual General Meeting of the Company to be held later this year:</p> <ul style="list-style-type: none">• All of them have demonstrated their commitment to the Company by attending meetings of the Board and Board Committees of which they are members;• They bring with them vast experience and expertise, for example experience and insights in banking, public sector administration, finance, accounting, tax, and legal to complement the

	<p>competencies of the other Directors to enhance boardroom discussions and decision;</p> <ul style="list-style-type: none"> • They have been with the Company for more than twelve (12) years and, accordingly, are familiar with the nuances and understanding of the Group’s business operations to enable them to contribute positively to the Board; and • They have exercised due care and diligence during their tenures as Independent Non-Executive Directors of the Company and carried out their duties professionally and objectively in the interest of the Company and its shareholders. <p>The Board is of the view that the two-tier voting outlined in the MCGG is not compatible with the provisions of Section 291 of the Companies Act 2016 and the Company’s Constitution, as there is only one class of ordinary shares in the Company and the rights of the shareholders, including the rights to vote, shall rank pari passu. This is irrespective of whether a shareholder is a “Large Shareholder” [as defined in the MCGG or a shareholder other than such a “Large Shareholder”. A resolution which is passed by a majority of shareholders must be regarded as having been validly passed as a matter of law irrespective of whether a majority of both the “Large Shareholders” and other shareholders had voted in favour of such a resolution as required under the MCGG.</p> <p>As an alternative, the Board has decided to obtain sounding from shareholders by seeking shareholders’ approval on the continuance of the three (3) INED as Independent Non-Executive Directors via a single tier voting process.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>: Please explain the measure(s) the company has taken or intend to take to adopt the practice.</p>
<p>Timeframe</p>	<p>: Choose an item.</p>

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	:	<p>In the course of identifying and nominating candidates to fill Board vacancies as and when they arise, appointment of additional new Director, or replacement of Senior Management personnel, the Board, via the Nominating Committee (NC), sources for candidates, normally through recommendations of fellow Directors or major shareholders, and evaluates candidates based on, amongst others, their skills, knowledge, competency, experience, time commitment, character, professionalism and integrity. In evaluating candidates, the NC applies strictly the concept of meritocracy, with no specific targets towards, nor discrimination against, any age group, cultural background or gender criteria although these attributes are taken into consideration in deriving a decision.</p> <p>The Board believes that diversity in skills and experience is fundamental towards good governance and in enhancing the effectiveness of Board deliberation. The Board consists of qualified individuals with diverse experience, backgrounds and perspectives and who have demonstrated commitment to the Company from the attendance at meetings and deliberations at the same. The composition and size of the Board is such that it facilitates the making of informed and critical decisions.</p> <p>The Executive Directors are complemented by the experience and independent views of the Independent Non-Executive Directors who are professionals in the field of banking, public sector administration, finance, accounting, tax, and legal. The mix of skills and experience are vital in directing and supervising the Group's overall business activities in light of the increasing challenging economic and operating environment in which the Group operates.</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	:		
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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	:	<p>The Board does not have a specific policy for setting targets for gender, ethnic or age composition on the Board or Senior Management, even though the Board and Senior Management have a blend of male and female incumbents. Evaluation of suitability of candidates for Directorship is based on the candidates' competency, character, time availability, integrity and experience in meeting the Company's needs, whilst the selection of Senior Management is largely based on the merits, skills and performance of the candidates concerned. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre.</p> <p>Whilst it is aware of potential benefits that might accrue from having members in the Board and Senior Management of different genders, age groups as well as ethnicity, the Board is of the view that the interests of the Company and the Group are better served if the selection of suitable candidates is made on the criteria of meritocracy, skill-set requirements and experience relevant for the position, rather than formalizing policies and targets towards gender, age and ethnicity. The Board believes that even in the absence of policies setting targets for board diversity, the Group is not disadvantaged in any way as decisions have always been made objectively in the best interests of the Company, taking into account diverse perspectives and insights.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 financial year under review. The last appointment was in 2015. The Nominating Committee normally considers 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 is not limited to sourcing for potential candidates from existing Directors or major shareholders as it also considers other avenues like professional bodies, referrals from business associates and other sources.</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	:	Mr. Loh Wann Yuan, the Senior Independent Director, is the Chairman of the Nominating Committee. The role of Committee Chairman of the NC comprises largely leading Committee members to discharge their duties and responsibilities within the Committee's Terms of Reference.	
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 Nominating Committee (NC) is responsible for carrying out an assessment of Board’s effectiveness in terms of its composition, roles and responsibilities, and whether the Board Committees discharge their functions and duties in accordance with the terms of reference entrusted by the Board. The assessment of the Board takes into account the character, competence, experience, integrity and time availability of each Director as well as their ability to provide pertinent input at meetings and demonstrate high level of professionalism in decision making process. The criteria for Independent Directors’ Self-Assessment include the relationship between the Independent Non-Executive Director and the Group and his involvement in any significant transaction with the Group.</p> <p>The NC reviews the composition of the Board annually to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making.</p> <p>The assessment of the Board, Board Committees (included with Board assessment) and Individual Directors, based on a self and peer assessment basis, was carried out and the outcome deliberated by the NC. The assessment results indicated that all the Board, Board Committees and Individual Directors have discharged their responsibilities effectively and the performance of the Individual Directors showed an average rating of consistently good to strong vis-à-vis the needs of the Company.</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

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	:	<p>The Board has formalised a policy on the remuneration of Executive as well as Non-Executive Directors.</p> <p>Broadly, the remuneration of Directors is determined as follows:</p> <p>(A) Fixed salary for Executive Directors is determined according to:</p> <ul style="list-style-type: none">• The scope of the duties and responsibilities;• The Company and individual performance;• The conditions and experiences required;• The ethical values, internal business and strategic targets of the Company; and• Is competitive as compared to the compensation paid by comparable companies. <p>(B) Bonus in the case of Executive Directors is designed to reward outstanding performance. The bonus is granted to reflect the Executive Directors' performance as well as Company's performance. Bonus which is awarded on a discretionary basis is to motivate and reward high performers. The amount is decided by reference to the Company's performance as well as the individual performance of the Directors.</p> <p>(C) Fixed fees for members of Board of Directors are determined according to:</p> <ul style="list-style-type: none">• Benchmarks with the rest of the market;• Extent of the duty and responsibilities;• Reflect the qualifications and contributions required in view of the Company's business; and• The number of Board meetings. <p>(D) Other Benefits and Allowances – this remuneration is decided by the Board as a whole subject to shareholders' approval at the Annual General Meeting is payable to the Chairman and members of Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee and Risk Management</p>

	<p>Committee. The remuneration comprises meeting attendance allowance; expenses incurred in the course of their duties as Directors; and benefits in kind such as motor vehicle, petrol, driver and accommodation.</p> <p>The remuneration for Directors is uploaded on the Company's website at www.harnlen.com.my. The Board has yet to develop policies for the remuneration of Senior Management.</p>	
<p>Explanation for departure</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p>Measure</p>		
<p>Timeframe</p>		

Intended Outcome

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

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

Practice 6.2

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 the three (3) Independent Non-Executive Directors and one Executive Director:</p> <ul style="list-style-type: none">• En Mohamed Akwal Bin Sultan Mohamad (Chairman - INED);• Mr Loh Wann Yuan (INED);• Mr Lee Chon Sing (Executive Director); and• Brig. Jen. (B) Dato Ali Bin Hj Musa (INED). <p>The remuneration package (RP) of each Executive Director is reviewed annually by the RC. Prior to reviewing, the RP is benchmarked to ensure that the RP offered to ED remains appropriate and competitive. The RC recommends the RP to the Board for approval, with the ED concerning abstaining from discussing his/her RP.</p> <p>Non-Executive Directors' fees are determined by the Board as a whole with the Director concerned, abstaining from discussing his/her fee.</p> <p>During the year, the RC has undertaken the following activities and recommended the outcome thereof to the Board in the discharge of its terms of reference:</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 allowances 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	:	

<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 7.1

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	:	Remuneration of Directors from the Group					
		<i>Name of Director</i>	<i>Salaries (RM)</i>	<i>Fees (RM)</i>	<i>Allowances (RM)</i>	<i>Benefits in kind (RM)</i>	<i>Total (RM)</i>
		Puan Sri Datin Chan Pui Leorn	780,000	3,600	60,000	51,400	895,000
		Mr. Low Quek Kiong	822,000	-	750	31,600	854,350
		Mr. Low Kueck Shin	822,000	-	-	15,500	837,500
		Mr. Low Kwek Lee	444,000	-	2,500	13,325	459,825
		Mr. Low Kuek Kong	516,000	-	3,250	17,400	536,650
		Mr. Lee Chon Sing	444,000	-	-	13,325	457,325
		Mr. Low Kok Yong	564,000	-	750	-	564,750
		Mr. Low Kok Yaow	444,000	-	1,250	23,950	469,200
		Mr. Loh Wann Yuan	-	50,000	42,000	-	92,000
		Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	50,000	40,000	-	90,000
		Mr. Law Piang Woon	-	50,000	32,000	-	82,000
	En. Mohamed Akwal Bin Sultan Mohamed	-	50,000	35,000	-	85,000	
		Total	4,836,000	203,600	217,500	166,500	5,423,600
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 Remuneration Committee and the Board are of the view that disclosing the top 5 key Senior Management's remuneration on a named basis in bands of RM50,000 according to salaries, bonuses, benefits-in-kind and other emoluments would be disadvantageous to the Group's business interest, given the highly competitive conditions in the industry the Group operates where poaching of senior management personnel is rife.	
		As an Alternative, the Remuneration Committee and the Board believe that the disclosure of Senior Management's remuneration in aggregate for the top five (5) Senior Management of the Group will provide shareholders with an understanding on how fairly and responsibly such personnel are being remunerated vis-à-vis the performance of the Group with a view of attracting, motivating and retaining talents. The total remuneration of the top five (5) Senior Management personnel is RM2,600,298 which includes salaries, bonus and benefits in kind.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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 (“AC”) is also the Senior Independent Director, namely Mr. Loh Wann Yuan while the Chairman who presides over Board Meetings and annual general 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 enables 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 of the firm who acts as the External Auditors of the Company or its subsidiaries. Nonetheless, the terms of reference of the AC has a policy which requires potential candidate who is a former key audit partner to observe the 2-year cooling off period before being considered for on-boarding to the AC as a member.	
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 Audit Committee ("AC") stipulate that the Committee shall review, inter-alia, the suitability, competence, availability of resources and independence of the external auditors before recommending their appointment to the Board to be included as a resolution to be voted upon by shareholders at the Annual General Meeting.</p> <p>During the financial year, the AC assessed if the External Auditors have approached their audit objectively, independently and professionally at the AC Meeting prior to their recommendation for re-appointment.</p> <p>Policies and procedures concerning the appointment of external auditors have been formalised and are made 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	:	All the four (4) members of the Audit Committee are 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>Members of the Audit Committee ("AC") have vast working experience in areas of finance, legal, accounting and high-level administration. Being aware of the onerous terms of reference accorded to the AC by the Board of Directors, the Committee members undertake continuous professional development to stay abreast of contemporary developments in the market place that affect their remit as AC members. The training sessions attended by Committee members during the financial year are summarised as follows:</p> <table border="1"><thead><tr><th><i>Name of AC member</i></th><th><i>Description of training attended</i></th><th><i>Date of training</i></th></tr></thead><tbody><tr><td rowspan="2">Mr. Loh Wann Yuan</td><td>• MCGG and Bursa Listing Requirements - Towards Meaningful Disclosure</td><td>18-1-18</td></tr><tr><td>• Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Securities</td><td>6-6-18</td></tr><tr><td rowspan="2">Brig. Jen (B) Dato' Ali Bin Hj. Musa</td><td>• Malaysian Code on Corporate Governance and Bursa's Listing Requirements - Application, Disclosure and Reporting Expectations</td><td>11-4-18</td></tr><tr><td>• Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Securities</td><td>6-6-18</td></tr><tr><td rowspan="3">Mr. Law Piang Woon</td><td>• Malaysian Code on Corporate Governance and Bursa's Listing Requirements - Application, Disclosure and Reporting Expectations</td><td>11-4-18</td></tr><tr><td>• Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Malaysia Securities Bhd</td><td>6-6-18</td></tr><tr><td>• Introduction to MBRS</td><td>23-10-18</td></tr></tbody></table>	<i>Name of AC member</i>	<i>Description of training attended</i>	<i>Date of training</i>	Mr. Loh Wann Yuan	• MCGG and Bursa Listing Requirements - Towards Meaningful Disclosure	18-1-18	• Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Securities	6-6-18	Brig. Jen (B) Dato' Ali Bin Hj. Musa	• Malaysian Code on Corporate Governance and Bursa's Listing Requirements - Application, Disclosure and Reporting Expectations	11-4-18	• Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Securities	6-6-18	Mr. Law Piang Woon	• Malaysian Code on Corporate Governance and Bursa's Listing Requirements - Application, Disclosure and Reporting Expectations	11-4-18	• Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Malaysia Securities Bhd	6-6-18	• Introduction to MBRS	23-10-18
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	En. Mohamed Akwal bin Mohamad	<ul style="list-style-type: none"> Compliance on Financial Reporting by Listed Issuers as mandated by the Main Market Listing Requirements of Bursa Securities 	6-6-18
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 Board has formalised an Enterprise Risk Management framework ("ERM framework" or "framework") that sets out a structured process to streamline the Group's risk management initiatives and activities in a holistic manner to safeguard shareholders' investment and the Group's assets. This framework, which encompasses pertinent risk management policies and guidelines for adherence by business units across the Group, is largely fashioned after the ISO31000 Risk Management Principles and Guidelines which set out the key principles, framework and process on risk management.	
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><u>Risk Management Framework</u></p> <p>The ERM framework embodies a structured risk assessment process, which results in the compilation of specific risk profiles of key business units in the Group by the Enterprise Risk Management Committee (which is essentially a Management Committee), including the quarterly updates of risk profiles to take into account the vagaries of changing business environment, emerging risks as well as findings as reported by the outsourced independent internal audit function.</p> <p>The individual risks in the profile are scored for their likelihood of occurrence and the impact thereof based on a '4 by 4' risk matrix deploying parameters established for the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be evaluated in terms of likelihood of their occurrence and the impact thereof – this feature essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its corporate objectives.</p> <p>Details of specific risks are recorded in individual risk registers, covering the risk description, internal controls implemented by Management to address the risk, and risk ranking in terms of priority. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the ERM Committee to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes. The Chairman of the ERM Committee would thereafter brief the Board the outcome of the risk update, focusing on the top five (5) business risks faced by the Group and the action plans deployed by Management, including timelines and status of action plans implemented. For each of the business risks identified, a risk owner is entrusted to ensure appropriate actions are taken to mitigate the risk to an acceptable level within specified timeline.</p> <p><u>Internal Control System</u></p> <p>The Group's internal control system comprises the following key elements:</p> <ul style="list-style-type: none">• an organisation structure with clearly defined lines of responsibilities and appropriate levels of delegation and authority,

	<p>including financial limits of authority in approving transactions/activities as well as mandate to operate bank accounts. The structure also sets out clear reporting lines and segregation of duties for key processes like strategic management, operations, sales to collections, procure to pay, human resource, capital expenditure, estate and field management, inventory management, financial reporting, corporate affairs, and investments;</p> <ul style="list-style-type: none"> • site visits by Senior Management to estates and business units which double up as physical checks on the operations of the business units; • an annual budgetary exercise that requires all business units in the Group to formulate financial budgets which are then consolidated into a Group budget, presented to the Audit Committee for comments and finally to the Board for further comments, if any, and approval. Quarterly review of the Group’s performance is carried out at Audit Committee and Board meetings where explanations on significant variances from preceding and year-to-date periods are furnished by Management; • significant changes in business development are reported by Management to the Board at scheduled meetings. This oversight review enables the Board to evaluate and monitor the Group’s business performance vis-à-vis its strategic objectives; • the Audit Committee, which is entrusted by the Board to oversee, amongst others, the Company’s financial reporting process, in particular the quarterly and annual announcements of the Group’s financial performance, meets at least quarterly to review the announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval; • internal policies and procedures on key business processes are formalised in writing for adherence by personnel across the Group. These policies and procedures essentially guide personnel on complying with internal control requirements and applicable laws and regulations, for example the Group has established a Code of Conduct and Employees handbook that set out acceptable and non-acceptable actions and behaviour by Directors and employees, as the case may be; and • structured whistle-blower policies and procedures are formalised in writing to enable employees of the Group to raise genuine concerns about suspected improprieties on matters of financial reporting, non-compliance with laws and regulations, malpractices or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal.
<p>Explanation for departure</p>	<p>:</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

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 :	

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 an independent professional firm, namely Ernst & Young Advisory Services Sdn Bhd. The internal auditors' responsibilities are to provide independent and objective reports on the state of internal controls of the various operating units within the Group to the Audit Committee and provide recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.</p> <p>The work conducted by the internal audit function is based on an internal audit plan approved by the Audit Committee. Internal audit report on findings noted, including recommendations to address the findings highlighted, is issued directly to the Audit Committee.</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	:	
<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 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>The Internal Audit function is outsourced to an independent professional firm, namely Ernst & Young Advisory Services Sdn Bhd. The outsourced internal audit team, helmed by professionals from the firm, including the engagement-in-charge, is independent of the activities it audits as well as independent of Management.</p> <p>The internal audit plan was prepared based largely on the Group's financial information and the relative risks of the business units to the achievement of the Group's business objectives. The internal audit approach adopted was in general conformance with those applicable International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, Inc, a globally recognised professional body for internal auditors.</p> <p>For more information on the internal audit function and the scope of coverage, refer to the Statement on Risk Management and Internal Control set out in the 2018 Annual Report of the Company.</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 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	:	<p>The Board acknowledges the importance of timely and equal dissemination of material information to the shareholders, stakeholders and public at large. Accordingly, the Board has formalized an internal Corporate Disclosure Policy in compliance with the disclosure requirements set out in the Main Market Listing Requirements of Bursa and has delegated the authority to the Management Working Group Committee to ensure that the Corporate Disclosure Policy is adhered to by Senior Management and the Company Secretaries with respect to disclosure obligations.</p> <p>The Company's corporate website at www.harnlen.com.my, which is regularly updated, is the key communication channel where email address and contacts of the Company are made available.</p> <p>Contacts details for queries can be directed at 07-2221777 or email at general@harnlen.com.my to the following:</p> <ul style="list-style-type: none"> i) Mr Low Kueck Shin (Deputy Managing Director); ii) Mr Low Yew Yern (Chief Financial Officer); iii) Mr Low Kok Yaow (Executive Director); and iii) Ms Fong Siew Kim (Company Secretary).
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	:	The Company is not a large company and accordingly Integrated Reporting is not applicable to the Company for the time being.	
		There is no alternative as this Practice 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>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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	:	<p>The Company normally despatches the notice of its Annual General Meeting (“AGM”) to shareholders at least 28 days before the AGM, well in advance of the 21-day requirement under the Companies Act 2016 and Main Market Listing Requirements of Bursa. The additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person or through corporate representatives or proxies. More importantly, it enables the shareholders to consider the resolutions and make an informed decision in exercising their voting rights at the general meeting.</p> <p>At the last AGM held on 27 June 2018, the notice of meeting was sent out on 30 April 2018, well in advance of the 28-day notice prescribed by Practice 12.1.</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

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	:	<p>At the 18th Annual General Meeting (“AGM”) of the Company, all the Directors were present in person to engage directly with shareholders. Amongst the Directors present were the Chairman of the Board and Chairmen of the Audit Committee, Nominating Committee and Remuneration Committee.</p> <p>Moreover, Management and external auditors were in attendance to respond to shareholders’ queries.</p> <p>At the AGM, the Chairman, at the commencement of meeting explained to shareholders their rights to be heard and to exercise their voting rights. During the meeting, the Chairman invited shareholders to raise questions pertaining to the Company’s financial statements and other items for adoption at the meeting, should they need any clarification, before putting a resolution to vote.</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

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	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	<p>The last Annual General Meeting of the Company was held at Johor Tower, Johor Bahru, where the Company's headquarters is located to enable accessibility by the bulk of the Company's shareholders.</p> <p>As the Company has a relatively small base of shareholders, the number of shareholders is not large enough to warrant the use of technology to facilitate remote shareholders voting or voting in absentia at this stage.</p> <p>Shareholders are allowed to appoint any person(s) as their proxies to attend, participate, speak and vote in his 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>			
Measure	:	Please explain the measure(s) the company has taken or intend to take to adopt the practice.	
Timeframe	:	Choose an item.	

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

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