

BOARD CHARTER

1.0 INTRODUCTION

The Board of Directors (the “**Board**”) of Harn Len Corporation Berhad (“**Harn Len**” or the “**Company**”) adopts this Charter to outline the manner in which its constitutional powers and responsibilities of the Board will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

This Board Charter shall also constitute and form an integral part of each Director’s duties and responsibilities.

This Board Charter is not an “all inclusive” document and should be read as a broad expression of sustainable governance.

The Board Charter acts as a source of reference to provide insights to Board Members and senior management. It will also assist the Board in the assessment of its own performance and that of its individual Directors.

1.1 GOVERNANCE STRUCTURE (PROPOSED STRUCTURE)

The Governance Structure is attached as Appendix I.

2.0 ROLES AND RESPONSIBILITIES

2.1 ROLE OF BOARD

In discharging its responsibilities and facilitating its on-going oversight of Harn Len and its subsidiaries (the “**Group**”), the Board has agreed its role includes, but not limited to the following matters:-

2.1.1 Ethics and Compliance

- i) The Board is charged with leading and managing the Group in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Group. The Directors are, collectively and individually, aware of their responsibilities to the shareholders and stakeholders for the manner in which the affairs of the Company are managed. The Board sets the Group’s values and standards and ensures that its obligations to its stakeholders are understood and met.
- ii) All Directors observe high ethical business standards, honesty and integrity and to apply these values to all aspects of the Group’s business and professional practice and act in good faith in the best interests of the Group and its stakeholders.
- iii) The Board understands that the responsibility for good corporate governance rests with them and therefore strives to comprehend and apply the principles and practices stated in the Malaysian Code on Corporate Governance 2017 (“**CG Code 2017**”).

- iv) The Board meets in person at least once every quarter to facilitate the discharge of their responsibilities. Members of the Management who are not Directors may be invited to attend and speak at meetings on matters relating to their sphere/scope of their responsibilities and issues that Board may request from time to time.
- v) The Board establishes the corporate philosophy of the Company, setting the aims / directions for the Management and monitoring the performance of the Management.
- vi) The Board oversees the business and affairs of the Company and will assume, amongst others, the following duties and responsibilities in meeting the goals and objectives of the Company:-
 - a) reviewing, approving and monitoring the overall strategies and direction of the Group and to ensure that the strategic plan of the Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability and continuity ;
 - b) overseeing and evaluating the conduct and performance of the Group's businesses, including its control and accountability systems;
 - c) together with senior management, promoting good corporate governance culture within the Company which reinforces ethical, prudent, honesty, integrity and professional conduct;
 - d) Identifying, understanding and managing principal risks affecting the Group and to recognise that business decisions involve the taking of appropriate risks and mitigating the risks;
 - e) approving policies relating to investor relations programme and shareholder communication and overseeing stakeholder communications;
 - f) reviewing the adequacy of the Group's internal control policy;
 - g) providing input into and final approval of the annual operating budget;
 - h) approving major capital expenditure, capital management and acquisitions/divestitures;
 - i) reviewing and monitoring systems of risk management and internal compliance and controls, codes of conduct, continuous disclosure, legal compliance and other significant corporate policies;
 - j) ensuring that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of Board and senior management; and
 - k) Ensuring the accuracy and integrity of the Company's financial and non-financial reporting.

2.1.2 Policies and Strategies

- i) The Board has established written procedures (such as the Constitution of the Company and other documents) determining which issues require a decision of the full Board and which issues can be delegated to Board Committees or the Management.
- ii) The Board oversees the Company Policies as a whole. This includes the Code of Business Conduct and Ethics, Whistleblowing Policy and other significant policies recommended under CG Code 2017. The Code of Business Conduct and Ethics promotes ethical values

and standards in the workplace while ensuring appropriate internal systems are in place to support, promote and ensure its compliance. The Whistleblowing Policy sets the appropriate communication channels to facilitate whistleblowing by employees, customers, suppliers and other stakeholders.

- iii) 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):-
 - 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; and
 - f) Material acquisitions and disposals of undertakings and properties not in the ordinary course of business.

2.1.3 Internal Controls and Risk Management

- i) The Board oversees, reviews and monitors the operation, adequacy and effectiveness of Group's system of internal controls.
- ii) The Board defines the risk appetite, approving and overseeing the operation of the Group's Risk Management Framework, assessing its effectiveness and reviewing any major/significant risk facing the Group.
- iii) The Group has a well-resourced internal audit function, which critically reviews all aspects of the Group's activities and its internal controls. Comprehensive audits of the practices, procedures, expenditure and internal controls of all business and support units and subsidiaries are undertaken on a regular basis.

2.2 ROLE OF INDIVIDUAL DIRECTORS

Directors are expected to comply with their legal, statutory and equitable duties and obligations when discharging their responsibilities as Directors. Broadly these include:-

- i) acting in good faith and in the best interests of the Company as a whole and for proper purpose;
- ii) acting with care and diligence of reasonable person subject to business judgement rule;
- iii) avoiding conflicts of interest with the Company in a personal or professional capacity;
- iv) refraining from making improper use of information gained through the position of Director and from taking improper advantage of the position of Director;
- v) disclosure of and abstaining from voting on matters of material personal interest; and
- vi) compliance with Corporation laws, securities legislation and Listing Requirements.

Directors will keep all Board information, discussions, deliberations and decisions that are not publicly known confidential and not use information gained through the Board for their interest, or their employers' interest.

2.3 ROLE OF SENIOR INDEPENDENT DIRECTOR

The Board may appoint a Senior Independent Non-Executive Director to whom concerns pertaining to the Group may be conveyed by shareholders and stakeholders. The duties of Senior Independent Director would typically include the following:-

- i) Ensure all Independent Directors have an opportunity to provide input on the agenda, and advise the Chairman on the quality, quantity and timeliness of the information submitted by management that is necessary or appropriate for the Independent Directors to perform their duties effectively;
- ii) Consult the Chairman regarding Board meeting schedules to ensure the Independent Directors can perform their duties responsibly and with sufficient time for discussion of all agenda items;
- iii) Serve as the principal conduit between the Independent Directors and the Chairman on sensitive issues, for example issues that arise from 'whistleblowing'; and
- iv) Serve as a designated contact for consultation and direct communication with shareholders and other stakeholders on areas that cannot be resolved through the normal channels of contact with the Chairman or Group Managing Director.

2.4 ROLE OF CHAIRMAN

2.4.1 The Chairman leads the Board and is responsible for the effective performance of the Board.

2.4.2 The Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role. The Chairman is, amongst others, responsible for:-

- a) Monitor the workings of the Board, especially the conduct of Board meetings;
- b) Ensure that all relevant issues for the effective running of the Company's business are on the agenda;
- c) Ensure that quality information to facilitate decision-making is delivered to Board members on a timely basis;
- d) Encourage all Directors to play an active role in Board activities and allowing dissenting views to be freely expressed;
- e) Chair general meetings of shareholders;
- f) Liaise with the Group Managing Director and the Company Secretary on the agenda for Board meetings;
- g) Provide guidance and mentoring to the Group Managing Director, if any.
- h) Ensure the process of Board evaluation is conducted;
- i) Ensure appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;
- j) Leading the Board in establishing and monitoring good corporate governance practices in the Company; and
- k) Fulfil such other responsibilities as are allocated by the Constitution from time to time.

2.4.3 The Chairman ensures that Executive Directors look beyond their executive functions and accept their full share of responsibilities on governance.

2.5 ROLE OF GROUP MANAGING DIRECTOR (“GMD”)

- i) The GMD is primarily responsible and accountable for overseeing the day-to-day operations to ensure the smooth and effective running of the Group.
- ii) The GMD is responsible for the development and implementation of the strategies for the Group and setting the overall strategic policy and direction of the Group’s business operations based on effective risk management controls.
- iii) The GMD ensures that the financial management practice is 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 the relevant laws and regulations.
- iv) The GMD provides effective leadership to the Group and is responsible for ensuring high management competency and that an effective management succession plan is in place to sustain continuity of operations.
- v) The GMD is the conduit between the Board and the Management in ensuring the success of the Company’s governance and management functions.
- vi) The GMD implements the policies, strategies and decisions dispensed by the Board. All Board authorities conferred on the Management is delegated through the GMD and this will be considered as the GMD’s authority and accountability as far as the Board is concerned.

ROLE OF COMMITTEES

The Board appoints the following Board Committees with specific Terms of Reference:-

- Audit Committee (“AC”)
- Nominating Committee (“NC”)
- Remuneration Committee (“RC”)
- Risk Management Committee (“RMC”)

These Committees are designed to consider specific matters and make recommendations to the Board. The Board must make an independent assessment of the recommendations, having regard to the Board’s knowledge of the business and risks of the Company and the complexity of the structures and operations of the Company.

The Board may from time to time establish other Committees to streamline the discharge of its responsibilities.

Each Committee’s role has been spelt out in written Terms of Reference approved by the Board. Each year, the Board, through the NC, should review the Board Committees’ effectiveness. The Chairman of each Board Committee should assess the performance of individual committee members on an annual basis. These assessments can be used to facilitate the NC’s evaluation of Board Committees’ performance. Independent and Non-Executive Directors play a leading role in these Committees. The Chairman of the various Committees will report to the Board on the outcome of the Committee meetings, together with the relevant Committees’ minutes duly furnish in the Board papers.

The Risk Management Committee receive risk inputs and findings with status report on risk mitigation updates from Senior Management during its Risk Management meetings.

3.0 BOARD COMPOSITION

The Board shall be comprised of qualified individuals with diverse sets of experience, skills and knowledge necessary to govern the Company.

At any one time, at least two (2) or one-third (1/3) whichever is higher of the Board members shall be Independent Directors as defined in the Bursa Malaysia's Main Board Listing Requirements (Bursa LR). The Constitution of the Company provides a minimum of two (2) directors and a maximum of 15 directors.

The composition and size of the Board shall be reviewed from time to time to ensure its appropriateness.

4.0 APPOINTMENTS AND RE-ELECTION

The appointment of a new Director is a matter for consideration and decision by the full Board. The screening and evaluation process for potential new directors are delegated to the NC and RC. The NC will consider, the required mix of skills, experience, character and integrity, competence, time to effectively discharge his duties, ethnicity, age and gender diversity, where appropriate, which the Director brings to the Board and the RC to set its remuneration package.

The Constitution of the Company provides that every newly appointed Director be subjected to re-election at the immediate Annual General Meeting (AGM). In addition, one third (1/3) of the Board shall retire from office once every three (3) years but shall be eligible for re-election.

5.0 TENURE OF DIRECTORSHIP

The Board does not set a time-frame on how long an Independent Director should serve on the Board mainly for the following reasons :

- (a) The ability of a Director to serve effectively as an Independent Director is very much dependent on his calibre, qualification, experience and personal qualities, particularly his integrity and objectivity, and has no real connection to his tenure as an Independent Director.
- (b) the Nomination Committee conducts an assessment of Independent Directors in respect of inter alia their skills, experience and contributions, and whether the INED are able to discharge their duties with unbiased judgement.
- (c) the INED has to fulfill the criteria under the definition of INED pursuant to the Main Market LR.
- (d) The contribution of its independent directors who over time will have developed deep insight into the Group's businesses and operations and who are, therefore will be able to provide invaluable contributions to the Group.

6.0 NEW DIRECTORSHIP IN OTHER LISTED ENTITY

Directors are required to notify the Board before accepting any new directorship of another listed entity and to indicate the time expected to be spent on the new appointment.

7.0 BOARD MEETINGS

The Board shall convene at least four (4) scheduled meetings annually, with additional meetings to be convened as and when necessary.

The DEC with the assistance of the Company Secretary will schedule Board meetings as and when required. The Company Secretary shall prepare the agenda for Board meetings after consultation with the DEC, GMD and GDMD.

All Directors will be provided with the progress reports on a timely basis prior to the scheduled Board meetings. A full agenda of the meeting and all Board papers including specific matters would be distributed in advance to ensure Directors are well informed and have the opportunity to seek additional information, and are able to obtain further clarification from the Company Secretary should such a need arise. Where necessary, the services of other senior management or external consultants will be arranged to brief and assist the Directors clear any doubt or concern.

8.0 DIRECTOR' REMUNERATION

The Remuneration Committee will review the remuneration packages of the Executive Directors annually. Thereafter, the Board will determine the level of remuneration of Board Members, taking into the recommendations of the RC.

The directors' fee for INED will be determined by the Board as a whole which is subject to the approval of the shareholders. Beside the directors' fee, the INED and members of the Committees mentioned in Paragraph No. 2.6 will be paid allowances based on their responsibilities in the respective Committees.

9.0. DECLARATION OF INTERESTS

Subject to the requirements of any acts, rules or regulations that are in force from time to time and in addition to such mandatory requirements, members of the Board are required to notify the Company Secretary changes in the following :

- i) Shareholding in the Company and its related corporations, whether direct or indirect; and
- ii) Directorships or interests in any other corporations.

In addition to the above, members of the Board who has material interest, either directly or indirectly or through a partner, spouse or close relative, in matters being considered by or likely to be considered by the Board should declare that interest.

Relevant interest in this context are directorship of, significant shareholdings in or employment by, public or private companies likely or possibly seeking to do business with the Company.

10.0 ACCESS TO INDEPENDENT PROFESSIONAL ADVICE, COMPANY SECRETARIES & OTHER OFFICERS

In discharging the Directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

The Board shall have the services of the Company Secretaries who are responsible to the Board for ensuring that all Board procedures are followed and that the applicable rules and regulations for the conduct of the affairs of the Board are complied with.

Besides the Company Secretaries, the Board shall have full and unrestricted access to any officers of the Company for information pertaining to the Company.

11.0 DIRECTORS' TRAINING & CONTINUING EDUCATION

In addition to the Mandatory Accreditation Programme as required by the Bursa Malaysia Securities (Bursa Malaysia), the Directors shall continue to update themselves with the latest economic and industry trends, technical developments, new concepts and the latest changes to laws and regulatory requirements and enhance their skills through appropriate continuing education programmes. This will enable Directors to effectively discharge their duties and sustain active participation in Board deliberations.

The NC shall assess the training needs of the Directors and will recommend and identify training programmes for the Directors.

12.0 COMPANY SECRETARY

The Company Secretary plays an important advisory role and is a source of information and advice to the Board and Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company and Group.

The Board shall appoint someone who is capable of carrying out the duties to which the post entails, and the removal of the Company Secretary shall be a matter for the Board as a whole.

The specific responsibilities of the Company Secretary are as follows:-

- a) advise the Board on governance issues;
- b) ensure compliance of listing and related statutory obligations;
- c) attend Board, Committees and general meetings, and ensure the proper recording of minutes;
- d) ensure proper upkeep of statutory registers and records;
- e) assist Chairman in the preparation for and conduct of meetings;
- f) assist in the induction of new directors, and continuously update the Board on changes to listing rules, other related legislations and regulations; and
- g) serve as a focal point for stakeholders communication and engagement on corporate governance

13.0 INVESTOR RELATION & SHAREHOLDERS COMMUNICATION

The Board acknowledges the need for shareholders to be kept informed of all material business matters affecting the Company. Timely announcements and disclosures made to the Bursa Malaysia Securities Berhad, which includes quarterly financial results, material contract, changes in the composition of the Group and any other material information that may affect investors' decision making. Information on the latest corporate developments affecting the Company are disseminated promptly via public announcements. These announcements are also posted on the Company's website using Bursa Link.

The Company's website is harnlen.com.my. Shareholders may also direct their queries to the Company via its email at general@harnlen.com.my.

The Annual General Meeting (AGM) is an important means of communication with shareholders and it provides opportunity for the shareholders to meet the Board, the External Auditors, the Company Secretaries as well as some of the Company's key management officers. Ample opportunities and time are provided for the shareholders to speak and participate in the question and answer session at the AGM.

The notice of AGM shall be sent out to shareholders at least 28 days before the date of the AGM.

14.0 CODE OF ETHICS & CONDUCT

The Code of Ethics and Conduct (COC) (a copy of which is annexed) is to be observed by all Directors of the Group.

The Board will review the COC regularly to ensure that it continues to remain relevant and appropriate.

15.0 REVIEW OF BOARD CHARTER

The Board Charter will 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.

This revised Board Charter incorporating the Code of Ethics of the Directors was approved by the Board of Directors on 26 February, 2018.