

BOARD CHARTER

INTRODUCTION

The primary objective of the Board Charter is to set out the role, composition, principal responsibilities and operation of the Board of Directors (“the Board”) of HARN LEN CORPORATION BHD (“HARN LEN” or “the Company”) to ensure that all Board members acting on behalf of the Company and its subsidiaries (collectively “Group”) are aware of their duties and responsibilities as Board members.

1.0 BOARD’S DUTIES AND RESPONSIBILITIES

The Board is responsible for governing the business and affairs of the Group and for exercising all such powers pursuant to the Articles of Association of the Company. While carrying out their duties and responsibilities, the Board is committed to ensuring good corporate governance standards are adhered to which is aimed at creating and protecting shareholder’s value. The Board assumes, amongst others, the following duties and responsibilities:

- Review and adopt an overall strategic plan for the Group;
- Oversee the conduct of the Group’s business to evaluate whether the business is being well managed;
- Identify the principal risks to ensure the implementation of appropriate systems to manage these risks;
- Establish succession planning;
- Review the adequacy and integrity of the Group’s internal control systems and management information systems;
- Maintain effective communication with stakeholders including shareholders and the general public.
- Integrate sustainability in the Group’s business to enhance its risk management and improve its productivity and cost optimization.

Key matters reserved for the collective decision of the Board include but not limited to the following :

- Approval of annual budgets, including major capital commitments;
- Approval of major investments , material acquisitions and disposals and financial decisions;
- Approval of quarterly financial report and results;
- Approval of audited financial statements.
- Approval of any assets, corporate and financial restructuring, share issuance, dividends, and other returns to shareholders.
- Approval for the establishment of Board Committees and their term of references.

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2.0 BOARD COMPOSITION

The Board shall 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 Articles of Association of the Company provides a minimum of two (2) directors and a maximum of 15 directors.

The Board shall appoint a Senior Independent Director to whom concerns and queries of shareholders and other stakeholders may be conveyed.

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

3.0 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 Nomination Committee (NC) and Remuneration Committee (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.

The Articles of Association 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.

4.0 ROLE OF THE EXECUTIVE BOARD (Revised)

The members of the Executive Board comprises the Deputy Executive Chairman (DEC), the Managing Director (MD), Deputy Managing Director (DMD) and four (4) Executive Directors (EDs) (Executive Board)

The DEC is responsible for ensuring good conduct and governance of the Board while the MD have effective leadership in the organization and overall responsibility for the day-to-day management of the business and implementation of the Board's corporate strategies, policies and decisions. The EDs have their own portfolios and assist the MD and DMD in running and managing the operations of the Group.

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The responsibilities of the DEC, amongst others are as follows :

- i) to ensure integrity of the role of the Board;
- ii) to ensure the efficient organization and good conduct of the Board meetings;
- iii) to ensure effective communications with shareholders and stakeholders;
- iv) to chair all Board meetings and meetings with shareholders i.e Annual General meeting and Extraordinary General Meeting.
- v) to promote effective communication between Directors, and between the Board and Management.

The responsibilities of the MD, amongst others, are as follows:-

- i) to lead the organisation effectively in all aspects;
- ii) to develop and implement corporate strategies for the Group;
- iii) to ensure that the Company has an effective management team and structure, management, development program and succession plans;
- iv) to ensure the efficiency and effectiveness of the operation for the Group;
- v) to assess business opportunities which are of potential benefit to the Group; and
- vi) to bring material and other relevant matters to the attention of the Board in an accurate and timely manner;
- vii) to ensure that effective internal Company and Group controls and governance measures are deployed; and
- viii) develop and recommend to the Board the annual business plans, budgets, actions plans risk and management policies that support the Company's long term strategy.

The DMD will assist the MD in all aspects of the operations of the Harn Len Group including but not limited to the MD's responsibilities mentioned in the above paragraph.

There is clear division of responsibilities at the helm of the Group to ensure a balance of authority and power such that no one individual has unfettered power of decision.

The executive powers of the Executive Board are balanced by the presence of Independent Non-Executive Directors (INED) who exercise their independent judgement on issues of strategy, standards of conduct, resources, process and safeguarding of interests of minority shareholders.

5.0 Responsibilities of Individual Director (new)

Directors are accountable to their shareholders and should ensure that the Group are properly managed and constantly improved so as to protect and enhance shareholder value, and to meet the Company's obligations of its stakeholders.

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Their responsibilities include, amongst others, the following:

- i) the fiduciary duty to act in the interests of the company, which includes the interests of the shareholders;
- ii) to exercise reasonable skill and care in the discharge of their functions;
- iii) to exercise the utmost good faith towards the company in all their actions and to act honestly in the exercise of the powers and in the discharge of the duties of their office;
- iv) to be actively involved not only in Board meetings but general meetings of shareholders;
- v) to acquire knowledge about the business of the Company and Group, the statutory and regulatory requirements affecting effective discharge of their duties, and are aware of the physical, political and social environment in which it operates; and

6.0 INDEPENDENCE OF THE BOARD

The Board recognizes the importance of role of INED in providing objective and independent judgement to the decision making process of the Board.

The presence of INED is essential in providing unbiased and independent opinion, advice and judgement to ensure that the interest, not only of the Group, but also of its shareholders, employees, customers, suppliers and other stakeholders in which the Group conducts its business are well represented and taken into account.

The Board and through the Nominating Committee shall assess the independence of the INED annually.

7.0 TENURE OF DIRECTORSHIP

Notwithstanding the recommendation of the Malaysian Code on Corporate Governance 2012 (MCCG), the Board is presently of the view that there is no necessity to fix a maximum tenure limit for the Directors as there are significant advantages to be gained from long-serving Directors who possess tremendous insight and intimate knowledge of the Group's business and affairs. The capacity, energy and enthusiasm of a Director is not necessarily link to age, therefore, it is deemed not appropriate to prescribe age limits for the retirement of directors.

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

- 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.

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- In accordance with the MCCG, 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.
- The INED has to fulfill the criteria under the definition of INED pursuant to the Main Market LR.
- 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.

8.0 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.

9.0 BOARD COMMITTEES

The Board may from time to time establish a committee considered as appropriate to assist in carrying out its duties and responsibilities. The Board delegates certain functions to the following Committees to assist in the execution of its responsibilities:

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

With the exception of the Risk Management Committee which comprises of Senior Management, all committee members of the AC, NC & RC shall comprise of Board members. The Committees shall operate under clearly defined terms of reference. The Committees are authorised by the Board to deal with and to deliberate on matters delegated to them within their terms of reference. The Chairman of the respective Committees reports to the Board on the outcome of the Committee meetings and such reports or minutes will be included in the Board papers.

10.0 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, MD and DMD.

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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.

11.0 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. 9.0 will be paid allowances based on their responsibilities in the respective Committees.

12.0. 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 interest 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.

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13.0 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.

14.0 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.

15.0. INVESTOR RELATION & SHAREHOLDERS COMMUNICATION

The Board acknowledges the need for shareholders to be kept informed of all material business matters affecting the Company. 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

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.

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16.0 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.

17.0 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.

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CODE OF ETHICS FOR DIRECTORS

A. Corporate Governance

- i) Should have a clear understanding of the aims and objectives, capabilities and capacity of the company;
- ii) Should devote time and effort to attend meetings and to know what is required of the board and each of its directors, and to discharge those functions;
- iii) Should ensure at all times that the company is properly managed and effectively controlled;
- iv) Should stay abreast of the affairs of the company and be kept informed of the company's compliance with relevant legislations and contractual requirements;
- v) Should insist on being kept informed on all matters of importance to the company in order to be effective in corporate management;
- vi) Should limit his directorship of companies to a number in which he can best devote his time and effectiveness; each director is an own judge of his abilities an how best to manage his time effectively in the company in which he holds directorship;
- vii) Should have access to the advice and services of the company secretary, who is responsible to the board to ensure proper procedures, rules and regulations are complied with;
- viii) Should at all times exercise his powers for the purposes they were conferred, for the benefit and prosperity of the company;
- ix) Should disclose immediately all contractual interests whether directly or indirectly with the company;
- x) Should neither divert to his own advantage any business opportunity that the company is pursuing, nor may he use confidential information obtained by reason of his office for his own advantage or that of others;
- xi) Should at all times act with utmost good faith towards the company in any transaction and to act honestly and responsibly in the exercise of his powers in discharging his duties; and
- xii) Should be willing to exercise independent judgment and, if necessary, openly oppose if the vital interest of the company is at stake.

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B. Relationship with Shareholders, Employees, Creditors and Customers

- i) Should be conscious of the interest of share holders, employees, creditors and customers of the company;
- ii) Should-at all times promote professionalism and raise competency of management and employees; and
- iii) Should ensure adequate safety measures and provide proper protection to workers and employees at work places

C. Social Responsibilities and the Environment

- i) Should ensure effective use of natural resources, and to improve quality of life by promoting corporate social responsibilities;
- ii) Should be more proactive to the needs of the community and to assist in society related programme in line with the aspirations of the concept of 'Caring Society' in Vision 2020; and
- iii) Should ensure that the activities and the operations of the company do not harm the interest and well- being of the society at large and to assist in the fight against inflation.

The revised Board Charter incorporating the Code of Ethics of the Directors has been approved by the Board of Directors on 25 February, 2016.

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