

CORPORATE GOVERNANCE REPORT

STOCK CODE : 5168
COMPANY NAME : Hartalega Holdings Berhad
FINANCIAL YEAR : March 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 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.

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's 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 understood its obligation to shareholders and other stakeholders and is collectively responsible for meeting the objectives and goals of the Company. In discharging these responsibilities, the Board puts in place the following frameworks and processes to meet its objectives and review Management's performance:</p> <ul style="list-style-type: none">• Board Charter and Schedule of Matter setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as the key matters reserved for the Board's approval;• Board Committees, namely Audit, Risk Management, Nomination and Remuneration Committees to assist the Board in discharging its duties and responsibilities effectively. The Terms of Reference of each Board Committee are set out in Board Charter. These Committees have the authority to examine particular issues and report to the Board with their recommendations;• Periodic review of the financial results as a mean to oversee the conduct of the business and the overall performance management of the Group. When reviewing the financial result, the Board will assess and challenge Management's performance and proposals and monitor Management execution in order to ensure the Group's business is being managed effectively;• Deliberate the interim and annual financial reporting with Management and External Auditors to ensure the integrity and reliability of the financial information published in order to assist the public, investors and shareholders to make informed decision;• Review the appointment of C-suite personnel and ensure that they have the necessary skills and experience to assist the Board in managing the Group;

	<ul style="list-style-type: none"> • Review related party transaction, if any to ensure the compliance with Listing Requirements and the interest of minority shareholders is not detrimental by related party transactions; • Review and deliberate the internal audit findings and assess the effectiveness and adequacy of the systems of internal control in the Group; • Annual and half yearly reviews of the achievement of financial performance targets and aims in the annual budget by Chief Executives and Senior Management of the respective subsidiaries; and • Observe the regulatory frameworks and requirements when disseminating information and disclosures in consultation with the Company Secretaries, External and Internal Auditors and Corporate Finance Advisors for corporate exercises, when necessary. 	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Every Company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

Practice 1.2

A Chairman of the Board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board is appointed.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman is responsible for instilling good governance practices, leadership and effectiveness of the Board. To do so, the Chairman has: <ul style="list-style-type: none">• Ensured Board members receive accurate, timely and clear information and are well-informed about Company and industry developments;• Set the Board agenda in consultation with the Company Secretaries and ensured that Board members receive complete and accurate information in a timely manner;• Facilitated Board discussion to ensure proper exchange of information and deliberation of issues to enable proper decision making;• Chaired Board meetings and reviewed and approved together with the Board on the strategic issues of the Group; and• Chaired Annual and Extraordinary General Meetings and represented Board in communicating with shareholders during the general meetings	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Every Company is headed by a Board, which assumes responsibility for the Company's leadership and is collectively responsible for meeting the objectives and goals of the Company.

Practice 1.3

The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The roles of Chairman and Managing Director are exercised by different individuals. A clear segregation of their responsibilities and powers is stated and defined in the Company’s Board Charter. Besides ensuring an appropriate balance of power and authority, the segregation of roles facilitates an open exchange of views and opinions between the Board and the Management in their deliberation of the business, strategies and key operations of the Group.	
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 Board is supported by qualified and competent Company Secretaries who provide advice and regularly update the Board, particularly with regards to compliance with regulatory requirements, guidelines, legislations and the principles of best corporate governance practices. All Directors have unrestricted access to the advice and services of the Company Secretaries. The appointment and removal of Company Secretaries or Secretaries of the Board Committees can only be made by the Board.</p> <p>The Company Secretaries also ensure that the Board is kept well informed on any regulatory requirements and developments in the area of corporate governance that affect the duties and responsibilities of the Directors as well as the Company being a public listed company. The Company Secretaries have attended trainings and seminars conducted by relevant regulators to keep abreast with the relevant updates on statutory and regulatory requirements and updates on the MMLR of Bursa Securities.</p> <p>The Company Secretaries serve notice to the Directors and Principal Officers to inform them of closed periods for trading in the Company's shares, in accordance with Chapter 14 of the MMLR of Bursa Securities. The Company Secretaries also ensure that all Board and Board Committees' meetings are properly convened, accurate and proper records of the proceedings and resolutions passed are recorded and the minutes are circulated to the Board Members as soon as possible before the next meeting.</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>The supply, timeliness and quality of the information affect the effectiveness of the Board to oversee the conduct of business and to evaluate the Management's performance of the Group. Accordingly, the Board ensures that each Director is provided with timely notices and Board papers issued prior to the Board meetings to enable Directors to review and consider the agenda items to be discussed and where necessary, to obtain further explanations before the Board meeting.</p> <p>The Company Secretaries ensure that all Board and Board Committees' meetings are properly convened. The Company Secretaries will ensure that accurate and proper records of the proceedings and resolutions passed are recorded and the minutes are circulated to the Board members as soon as possible before the next meetings.</p> <p>Separately, all Board members have unrestricted access to timely and accurate information in furtherance their duties and subject to Board's approval may seek independent professional advice when necessary in discharging its various duties, at the Company's expense.</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 Director.

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 Director and Management; and
- issues and decisions reserved for the Board.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has defined its Board Charter and Schedule of Matter setting out the roles, duties and responsibilities of the Board, the principles and practices of corporate governance to be followed as well as the key matters reserved for the Board's approval.</p> <p>The Board has also established the Audit, Risk Management, Nomination and Remuneration Committees to assist the Board in discharging its duties and responsibilities effectively. The Terms of Reference of each Board Committee are set out in Board Charter. These Committees have the authority to examine particular issues and report to the Board with their recommendations. However, the ultimate responsibility for the final decision on all matters lies with the Board.</p> <p>These Board Charter and Schedule of Matter were reviewed, published and be accessed under the Corporate Governance segment of the Company's website https://harta.irplc.com/investor-relations.html</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 Board has established and published its Code of Conducts and Ethics and Whistleblowing policy and can be accessed under the Corporate Governance segment of the Company’s website at https://harta.irplc.com/investor-relations.html</p> <p>Internally, the Board will communicate the Code of Conducts and Ethics and Whistleblowing Policy to staff members through the Human Resource Department so that all staff members are clear on what is considered acceptable behaviour and practice in the Company and the policies and procedures on whistleblowing.</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

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	:	As mentioned in Practice 3.1, the Board has established its Code of Conducts and Ethics and Whistleblowing Policy and will communicate the Code of Conducts and Ethics and Whistleblowing Policy to staff members through the Human Resource Department. The Human Resource Department provides yearly reminder through internal circulations on Code of Conduct and Ethics and Whistleblowing Policy.	
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

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	:	The Board comprises of eight (8) members, where half of the Board is Independent Non-Executive Directors. The Board is satisfied with the current composition of the Board in providing a check and balance in the Board as well as diversity of perspectives and views in Board's decision-making process. Presently, the Board consists of Executive and Non-Executive Directors with a mixture of suitably qualified and experienced professionals.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board is cognisant of the requirement and will continue to actively search for a suitable and well qualified Director to join the Board.
Timeframe	:	March 2020

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	:	Not applicable - No independent director(s) serving beyond 9 years	
Explanation on application of the practice	:	As above.	
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

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	:	Adopted
Explanation on adoption of the practice	:	The maximum tenure of an Independent Non-Executive Director shall not exceed the cumulative term of nine years from the date of first appointment as Director or upon the expiry of the on-going term of appointment as Director whichever is the later. Any extension beyond nine years will require Board justification and shareholder approval unless the said Director wishes to be re-designated as Non-Independent Non-Executive Director which shall be a consideration for the Board to decide.

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 is 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>The Board is committed to ensure diversity and inclusiveness in its composition. The Board is currently made up of members with mixed age group, race, cultural, knowledge, experience and skills sets, as outlined under Principle A: Board Leadership and Effectiveness in Corporate Governance Overview Statement.</p> <p>The Senior Management is composed of best-qualified individuals who possess knowledge, experience, good judgement and leadership skills, with due regard for diversity in skills, experience, age, cultural background and gender. The right blend of skills, experience and a diverse background is crucial in ensuring the attainment of long-term value for the Company.</p> <p>The Board annually reviews the required skills, experience and other qualities of the Directors to ensure that the Board is functioning effectively and efficiently.</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

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 is of the view that, while it is important to promote gender diversity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority. Thus the Company does not set any specific target for female Directors in the Gender Diversity Policy and will actively work towards having more female Directors on the Board.</p> <p>The Nomination Committee is responsible in ensuring that gender diversity objectives are adopted in Board recruitment, Board performance evaluation and succession planning processes.</p> <p>The Company provides a suitable working environment that is free from harassment and discrimination in order to attract and retain women participation on the Board.</p> <p>At present, the Board consists of 2 women Directors, namely Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria and Datuk Seri Nurmala binti Abd Rahim which represents 25% of women Directors (2 out of 8 Directors).</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board is cognisant of the requirement and will continue to actively search for a suitable and well qualified women Director to join the Board.
Timeframe	:	March 2020

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>In its selection of Board members, the Board provides equal opportunity to all candidates. The Nomination Committee will consider recommendations from existing Board members, Management, major shareholders and third-party sources to identify suitably qualified candidates, when necessary before recommending to the Board for further deliberation.</p> <p>Candidates for directorship are nominated based on their skills, knowledge, professionalism, character and experience in line with the needs of the Group. The detail profiles of nominated Directors will be presented to the Board by the Nominating Committee to assist the Board in making their selection decision.</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

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	:	The Nomination Committee is chaired by Mr. Razman Hafidz bin Abu Zarim who is an Independent Non-Executive Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the Board and individual Director.

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Nomination Committee undertakes annual assessment to evaluate the performance of each individual Director, the effectiveness of the Board and the Board Committees by way of self-assessment. Directors are required to fill out the self-assessment forms and provide their feedback, views and suggestions for improvement. The results of these self-assessment forms are compiled and tabled to the Nominating Committee for review and deliberation.</p> <p>Based on the assessment, the Board is satisfied with the overall performance effectiveness of the Board, Board Committees and individual Director and the independence of Independent Directors.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	An external independent party will be engaged to perform the evaluation.
Timeframe	:	March 2020

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's Charter which is published in the Company's website provides the following policies and procedures on remunerations of Directors and Senior Management:</p> <ul style="list-style-type: none">• Competitive and realistic remunerations of Directors are formulated with the aims to attract, motivate and retain Directors with the relevant experience, expertise and quality needed to assist in managing the Company and the Board effectively.• For Executive Directors and Senior Management, the remuneration packages link rewards to corporate and individual performance whilst for the Non-Executive Directors, the level of remuneration is linked to their experience and level of responsibilities undertaken.• The level of remuneration for the Executive Directors and Senior Management is assessed by the Remuneration Committee after giving due consideration to the compensation levels for comparable positions among other similar Malaysian public listed companies.• The determination of Directors' remuneration is subject to Board's approval. The Director concerned should abstain from discussing his/her own remuneration. <p>Pursuant to Section 230(1) of the Companies Act, 2016, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

The level and composition of remuneration of Directors and Senior Management take into account the Company's desire to attract and retain the right talent in the Board and Senior Management to drive the Company's long-term objectives.

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

Practice 6.2

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 Board has established its Remuneration Committee and has defined the Terms of Reference of this Committee. These Terms of Reference are disclosed in the Company's website.</p> <p>The members of the Remuneration Committee are as follows and comprise wholly of Non-Executive Independent Directors:</p> <p><u>Chairman:</u> Mr. Razman Hafidz bin Abu Zarim, Independent Non-Executive Director</p> <p><u>Members:</u> Dato' Tan Guan Cheong, Independent Non-Executive Director Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria, Senior Independent Non-Executive Director Datuk Seri Nurmala binti Abd Rahim, Independent Non-Executive Director</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 Director. The remuneration breakdown of individual Director includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>To ensure that the Company is able to attract and retain Directors with relevant experience and skills needed to manage the Group effectively, remuneration of Directors is formulated to be competitive and realistic, emphasis being place on performance and calibre.</p> <p>Executive Directors remuneration packages link rewards to corporate and individual performance whilst level of Non-Executive Directors remuneration is linked to their experience and level of responsibilities undertaken. The determination of remuneration of Executive Directors is determined by the Remuneration Committee whilst the determination of the remuneration package of Non-Executive Directors, including Executive Chairman shall be a matter to be determined by the Board as a whole after taking into consideration into the Remuneration Committee's recommendation.</p> <p>Executive and Non-Executive Directors' remuneration packages in bands of RM50,000 were disclosed in the CG Overview Statement as an alternative due to the sensitivity and confidentiality of the disclosures on named basis.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Company will look into compliance to this requirement in future.
Timeframe	:	Others

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	:	<p>The details of Senior Management's remuneration are not disclosed as the Board considers the information of the said remuneration to be sensitive and proprietary in view of the competitive nature of human resources.</p> <p>The Company has a competitive remuneration policy in place and has taken steps to ensure that Senior Management's remuneration packages reflect the experience, skills, roles and responsibilities undertaken by the Senior Management. To ensure competitive remuneration, the Senior Management's remuneration packages are reviewed annually based on their individual performance as well as the Company's performance.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will continue to monitor the market practice and development in respect of such disclosure.
Timeframe	:	Others

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	:	The Chairman of the AC is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

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	:	<p>When considering the appointment of former key audit partner from its current External Auditor’s firm, the AC is mindful of the minimum two (2) years cooling off period best practice under the MCCG before appointing this partner as a member of the AC. The External Auditor Policy were established and published in Company’s website under Corporate Governance segment at https://harta.irplc.com/investor-relations.html</p> <p>Presently, none of the present members of the AC were former audit partners of the Company’s auditors.</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

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	:	AC shall carry out annual assessment on the performance, suitability and independence of the External Auditor based on four (4) key areas, namely quality of service, sufficiency of resources, communication and interaction, independence, objectivity and professional scepticism. The External Auditor Policy was established and published in Company's website under the Corporate Governance segment at https://harta.irplc.com/investor-relations.html	
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

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information.

Practice 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The AC comprised of fully Independent Non-Executive Directors and the Chairman of the AC is not the Chairman of the Board.

Intended Outcome

There is an effective and independent Audit Committee.

The Board is able to objectively review the Audit Committee's findings and recommendations. The Company's financial statement is a reliable source of information.

Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

Application	:	Applied
Explanation on application of the practice	:	<p>The Audit Committee (AC) consists of the following members:</p> <ul style="list-style-type: none">a) Dato' Tan Guan Cheong (Chairman)b) Mr. Razman Hafidz bin Abu Zarim (Member)c) Tan Sri Datuk Dr. Rebecca Fatima Sta. Maria (Member)d) Datuk Seri Nurmala binti Abd Rahim (Member) <p>The Chairman of the Audit Committee is not the Chairman of the Board. In addition, the Audit Committee comprises wholly of Independent Non-Executive Directors. The Audit Committee Report is set out separately in this Annual Report.</p> <p>The AC is chaired by Dato' Tan Guan Cheong who is a qualified accountant and has wide working experiences in the financial services industry. The academic and professional background of the rest of the AC members varies and they are equipped with knowledge and working experiences from various industries. They are able to provide sound advice to the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

Practice 9.1

The Board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board of Directors ("the Board") is committed to maintain a sound system of risk management and internal control within the Group. The Board also acknowledges that it is their responsibility to review, in an ongoing manner, the risk management and internal control system for its adequacy, effectiveness and integrity. Thus, the Board, through the Risk Management Committee ("RMC"), maintains overall responsibility for risk oversight within the Group.</p> <p>The system of risk management and internal control is designed to manage risk to a reasonable level rather than to eliminate the risk of failure to achieve the Group's business objectives. It can therefore only provide reasonable and not absolute assurance against material misstatement or financial losses or fraud. In achieving the Group's business objectives, the Board assumes its responsibilities in designing the system of risk management and internal control based on the ongoing process of identifying and prioritising risk, evaluating the likelihood of those risks being realised and the impact should they be realised, and then, managing them effectively, efficiently and economically.</p> <p>Management is responsible for assisting the Board in implementing and monitoring the procedures and processes which identify, assess and monitor business risks and internal controls, and to take responsive corrective action as and when needed.</p> <p>The Board has received assurance from the Managing Director and the Corporate Finance Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.</p> <p>The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets.</p>

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

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The Board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the Company's objectives is mitigated and managed.

Practice 9.2

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	:	The details of the risk management and internal control features as well as the Board review of the adequacy and effectiveness of the risk management and internal control frameworks are presented in the Statement on Risk Management and Internal Control of the Annual Report.	
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

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	:	Adopted
Explanation on adoption of the practice	:	The RMC comprised of four (4) Independent Non-Executive Directors and one (1) Executive Director.

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 AC reviewed and approved the Internal Audit Plan to ensure that the appropriateness of the audit plan. The AC had also discussed with the Internal Auditor on the progress of the audit plan and ensured that the audit direction remains relevant taking into consideration any changes in the Group's operating environment.</p> <p>When reviewing the Internal Audit reports, the AC will consider the impact of the audit issues and assess whether Management has provided their comments appropriately reflecting their commitment to the audit recommendations.</p> <p>A private session with the Internal Auditors will be held without the presence of Management by the AC, if needed to allow the Internal Auditors to exchange their views freely to the AC.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 10.2

The Board should disclose—

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied
Explanation on application of the practice	:	<p>The Internal Audit Function is carried out by BDO Governance Sdn. Bhd. ("BDO"), an internal audit consulting firm.</p> <p>The internal audit function is headed by a Director who is assisted by a manager and supported by an audit executive. The Director in charge is a qualified accountant while the rest of the team members are accounting graduates from local universities.</p> <p>The Internal Auditors have performed its work with reference to the principles of the International Professional Practice Framework of Institute of Internal Auditors covering the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders.</p> <p>The AC will review the engagement between the Group and BDO to ensure that the Internal Auditors' objectivity and independence are not impaired or affected.</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 communicates information on the operations, activities and performance of the Group to the shareholders, stakeholders and the public through the following:</p> <ul style="list-style-type: none">i. the Annual Report, which contains the financial and operational review of the Group's business, corporate information, financial statements, and information on AC, RMC and Board of Directors;ii. various announcements made to the Bursa Securities, which include announcements on quarterly results;iii. the Company website at www.hartalega.com.my;iv. meetings with research analysts and fund managers if required to give them a better understanding of the business conducted by the Group in particular, and of the industry in which the Group's business operates, in general; andv. participation in surveys and research conducted by professional organizations as and when such requests arise. <p>Shareholders and investors are also encouraged to interact and feedback to the Chairman for opinions or concerns.</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 11.2

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 has yet to adopt integrated reporting based on a globally recognized framework. The Company reviews and enhances the disclosures in future annual report towards adopting integrated reporting framework.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:	The Company would consider adopting integrated reporting on an incremental approach in the near future.	
Timeframe	:	Others	

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	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	The Annual General Meeting serves as an important means for shareholders' communication. In order to encourage shareholders' participation and engagement with the Board and Senior Management effectively in the AGM, notice of the Annual General Meeting and Annual Reports are sent to shareholders 21 days prior to the meeting in accordance to the Company's Constitution and the provision in the Companies Act 2016. In addition, the Board would ensure that this Notice contains details of resolutions proposed along with background information and explanatory notes that are relevant.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	The Board will change the present AGM's notice period of 21 days to 28 days in the Company's Constitution next year. Thereafter, the Board will provide notice of Annual General Meeting together with the Annual Report to shareholders 28 days prior to the meeting.
Timeframe	:	Financial year 2019

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 each Annual General Meeting, the Board presents the progress and performance of the Group’s business and encourages participation of shareholders during questions and answers sessions. The Chairman and the Board will respond to all questions raised by the shareholders during the Annual General Meeting.</p> <p>All Board members had attended the last AGM. The shareholders’ questions were fully answered and responded to.</p> <p>Moving forward, the Board will ensure its full attendance in the AGM and the respective Chairmen of the Board Committees will attend to questions raised pertaining to their duties.</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

Shareholders are able to participate, engage the Board and Senior Management effectively and make informed voting decisions at General Meetings.

Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

Application	:	Applied	
Explanation on application of the practice	:	<p>The AGM of the Company is being held at Sime Darby Convention Center Kuala Lumpur which is in the city area and is accessible via public transport.</p> <p>Moving forward, the Company will consider leveraging on technology to facilitate greater shareholders’ participation in general 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	:		