

CORPORATE GOVERNANCE REPORT

STOCK CODE : 2062
COMPANY NAME : HARBOUR-LINK GROUP BERHAD
FINANCIAL YEAR : JUNE 30, 2019

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosure in this Section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURE ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosure in this Section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company’s leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1

The board should set the company’s strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company’s values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	Applied
Explanation on application of the practice	<p>The Board of Harbour-Link Group Berhad (HLGB or the Company) has the collective responsibility for the overall conduct and performance of the Group’s business by maintaining full and effective control over strategic, financial, operational, compliance and governance issues.</p> <p>The responsibilities of the Board are inclusive of but not limited to:</p> <ul style="list-style-type: none"> • Reviewing and adopting a strategic plan for the Company, addressing the sustainability of the Group’s business; • Overseeing the conduct of the Group’s business and evaluating if its businesses are being properly managed; • Identify principal business risk faced by the Group and ensuring the implementation of appropriate internal controls and mitigating measures to address such risks; • Ensuring that all candidates appointed to senior management positions are of sufficient calibre, including the orderly succession of senior management personnel; • Overseeing the development and implementation of the shareholders communication policy; and • Reviewing the adequacy and integrity of the Group’s internal control and management information systems. <p>The Board is assisted by three (3) Board Committees, namely the Audit and Risk Management Committee, Nomination Committee and Remuneration Committee to examine specific issues within their respective terms of reference as approved by the Board and report to the Board with their recommendations.</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 objective 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	Departure
Explanation on application of the practice	
Explanation for departure	<p>The position of Chairman is currently vacant since 2016. During the meeting, the Board will elect a Chairman amongst themselves to chair the meeting. Group Managing Director, usually is elected to Chair the Board of Directors' Meeting.</p> <p>As provided under the Company's Board Charter, the Chairman is responsible for, amongst others:</p> <ul style="list-style-type: none">(a) Provide leadership and run the Board effectively with the assistance of the Board Committees and management;(b) Ensure the Board plays a full and constructive part in developing and determining the Group's strategy and overall business and commercial objectives;(c) Ensure the Board annually reviews its performance and is balanced so as to achieve its effectiveness;(d) Review the performances of individual Directors;(e) Supply vision of the Group;(f) Setting the Board meeting agenda for consideration, giving emphasis on important issues challenged by the Group with emphasis on strategic, rather than operational issues;(g) Chairing of general meetings and Board meetings;(h) Act as the Group's representative in its dealing with external parties;(i) Help guide the Group on long term strategic opportunities and represent the Group with key industry, civic and philanthropic constituents; and(j) Promote the highest standards of integrity, probity and corporate governance in the Group. <p>During the Board Meetings, the Chairman leads the discussion, allowing sufficient time for deliberations on key issues and complex matters. He</p>

	<p>also encourages active participation and allows views including dissent to be freely expressed.</p> <p>The Chairman plays a key role in the conduct of the General Meetings. Besides ensuring the proper flow of resolutions tabled at the meeting, he manages the communication of the floor. He further encourages active participation from shareholders and allows sufficient amount of time during the questions and answers session.</p>
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
<p>Measure</p>	<p>The Company is in the process of identifying suitable candidates with prerequisite qualifications and experiences for the position of Chairman.</p>
<p>Timeframe</p>	<p>2 years</p>

Intended Outcome

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

Practice 1.3

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

Application	Applied
Explanation on application of the practice	Currently, the Chairmanship of the Company is vacant since the retirement of Dato' Mohamed Salleh Bin Bajuli on 22 November 2016. The Board has yet to identify a suitable candidate as replacement. There is a distinct roles and responsibilities of the Chairman and Group Managing Director which are contained in the Board Charter.
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

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

Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance and best practices.

Application	Applied
Explanation on application of the practice	<p>The Board is supported by an external qualified Company Secretary who is a fellow member of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”). The Company Secretary is accountable to the Board through the Chairman of the Board and Committees on all governance matters.</p> <p>The Company Secretary serves as central source of information and advice to the Board and its Committees on issues relating to compliance with laws, rules, procedures and regulations affecting the Company.</p> <p>The roles and responsibilities of the Company Secretary include, but are not limited to the following:</p> <p>Company Secretaries carry out the following tasks:</p> <ul style="list-style-type: none">• Attend and ensure proper conduct and procedures at all Board Meetings, Board Committee Meetings, Annual General Meeting (“AGM”) and Extraordinary General Meeting (“EGM”);• Ensure that the quarterly financial results, audited financial statements, annual reports, circulars, etc and all relevant announcements are announced to Bursa Malaysia on a timely basis;• Ensure that deliberations at the meetings are well captured and minuted, and subsequently communicated to the relevant Management personnel for necessary actions;• Ensure that the Company complies with the Main Market Listing Requirements (“MMLR”) and the requirements of the relevant authorities;• Inform and keep the Board updated of the latest enhancement in corporate governance, changes in the legal and regulatory framework, new statutory requirements and best practices;• Keep the Directors and principal officers informed of the closed period for trading in the Company's shares; and• Ensure proper record and maintenance of the Company's proceedings, resolutions, statutory records, register books and documents.
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 Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports. The Chairman, together with Management and Company Secretary, are responsible for ensuring Directors receive adequate and timely information prior to Board or Board Committee meetings.</p> <p>The Board meets on a quarterly basis and additionally as and when required. All Directors are provided with an agenda and a set of board reports issued at a reasonable period from the date of Board Meetings so as to ensure that the Directors can appreciate the issues to be deliberated and to obtain further explanations, where necessary.</p> <p>To facilitate the Director's time planning, an annual meeting schedule is prepared and circulated at the beginning of the financial year.</p> <p>The Board reports include the followings:</p> <ul style="list-style-type: none"> • Quarterly financial report and report on the Company's cash and borrowing positions; • Minutes of meetings of all Committees of the Board; • A current review of the operations of the Group; • Reports on Recurrent Related Party Transactions; and • Directors' share-dealings. <p>The deliberation and conclusions of issues discussed in the Board meetings are duly recorded in the Board minutes, the draft of which is circulated for the Board's review within a reasonable timeframe after the meeting. The meeting minutes capture the decisions made, including the key deliberations, rationale for each decision made, and any significant concerns or dissenting views.</p> <p>The decisions made at the Board meetings are also communicated to Management in a timely manner to ensure appropriate execution.</p>	
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe		

Intended Outcome

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1

The board has a board charter which is periodically reviewed and published on the company's website.

The board charter clearly identifies -

- The respective roles and responsibilities of the board, board committees, individual directors and management; and
- Issues and decisions reserved for the board.

Application	Applied
Explanation on application of the practice	<p>The Board is guided by its Board Charter which clearly sets out the Board's duties and responsibilities in discharging its fiduciary and leadership functions. The objectives of this Board Charter are to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members and the various legislations and regulations affecting their conduct and that the principles and practices of good Corporate Governance are applied in all their dealings in respect and on behalf of the Company.</p> <p>The Board Charter addresses, among others, the following matters:-</p> <ul style="list-style-type: none"> • Role and responsibilities of the Board; • Composition, Board balance and Board diversity; • The role of Chairman and Group Managing Director; • Supply of information and Board meetings; • Matters reserved for the Board; • Board effectiveness evaluation; • Board Committees; • Financial Reporting; • General Meetings; and • Communication with stakeholders. <p>The Board Charter was last reviewed on 24 August 2018. The Board Charter is accessible for reference on the Group's website, http://www.harbour.com.my.</p>
Explanation for departure	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>	
Measure	
Timeframe	

Intended Outcome

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 Group is committed to achieving and monitoring high standards pertaining to behaviour at work.</p> <p>The Company has formalised a set of ethical standards through a Code of Conduct, which is subject to periodical review, to ensure Directors practise ethical, business like and lawful conduct, including proper use of authority and appropriate decorum when acting as Board members. The Board would review the said Code of Conduct when necessary. The Code of Conduct is published on the Company's website at www.harbour.com.my.</p> <p>This Code of Ethics is formulated to enhance the standard of corporate governance and corporate behaviour with intention to achieving the following aims:</p> <ol style="list-style-type: none"> 1. To establish a standard of ethical behaviour for directors based on trustworthiness and values that can be accepted, are held or upheld by any one person. 2. To uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administering a company.
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	Applied
Explanation on application of the practice	<p>The Company has adopted a whistleblowing policy whereby all employees and related third parties (e.g. customers, suppliers, etc., who deal with the Company) ("Third Parties") are encouraged to raise concerns, in confidence, about misconduct, malpractice or irregularities on any matters related to the Company.</p> <p>The main objective of the Whistleblowing Policy is to provide an objective point of escalation for employees or stakeholders to disclose in a bona fide manner any suspected acts of wrongdoings without any fear of reprisal. The Whistleblowing Policy provides guidelines for the reporting and the investigation of any wrongdoings. Such misconducts may be reported in writing directly to the Group Managing Director.</p> <p>The Board together with Management, reviews the Whistleblowing Policy periodically or as and when the need arises to ensure it is kept contemporaneous.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

Board decisions are made objectively in the best interest 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	Applied
Explanation on application of the practice	<p>The Board comprises six (6) members, three (3) of which are Independent Non-Executive Directors as follows:</p> <ul style="list-style-type: none"> • Datuk Pau Chiong Ung • Bin Lay Thiam • Khoi Hoay Ling <p>With half of the Board comprising of independent directors, it allows for more effective oversight of management as well as to support objective and independent deliberation, review and decision-making.</p> <p>The Independent Directors provide independent judgement, experience and objectivity without being subordinated to operational considerations. The Independent Directors help to ensure that, the interests of all shareholders, and not only the interests of a particular fraction or group, are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration of the Board.</p> <p>The Nomination Committee has assessed the Board composition and is satisfied that the current size and composition of Directors is adequate to provide a balanced mix of skills and experience, as well as the objectivity required in the boardroom.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

Application	Applied	
Explanation on application of the practice	Currently, all the independent director does not exceed a cumulative term limit of nine years. However, in the event, any of the independent directors have exceeded a cumulative term of nine years, the Board will justify and seek shareholders' approval at the AGM in the event the Director is to be retained as an Independent Director.	
Explanation for departure		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe		

Intended Outcome

Board decision are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.3 – Step up

The board has a policy which limits the tenure of its independent directors to nine years.

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

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Application	Applied
Explanation on application of the practice	<p>The Board has adopted a board diversity policy to formalising its approach to boardroom diversity. The diversity policy has defined that diversity includes and is not limited to gender, age and ethnicity.</p> <p>The Nomination Committee is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations. In this respect, the role of the Nomination Committee is detailed in its Terms of Reference, which is accessible for reference on the Group's website at www.harbour.com.my.</p> <p>In making its recommendations to the Board, the Nomination Committee considers and assess the suitability of a new appointment based on the profile and background of candidate(s) in the making of informed and critical decisions.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspective 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 acknowledges the call by the Government and MCGG for boards of Large Companies to comprise of at least 30% women on the board.</p> <p>The Company currently has one (1) female director which enables the Company to comply with its Boardroom diversity of having at least a female director.</p> <p>The Board will take steps to reflect the Company's commitment towards gender diversity.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspective 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>The Nomination Committee (“NC”) is responsible for recommending suitable candidates for Directorships to the Board. The responsibilities of the NC are outlined in the Terms of Reference.</p> <p>In sourcing suitable candidates for the Board, the NC have access to a selection of various candidates from different sources including our existing directors, major shareholders, network of industry contacts and independent sources.</p> <p>During the financial year, there was no appointment of additional 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

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 4.7

The Nomination Committee is chaired by an Independent Director or the Senior Independent Director.

Application	Applied
Explanation on application of the practice	The NC comprises Independent Non-Executive Directors. The NC is chaired by Datuk Pau Chiong Ung, an Independent Non-Executive Director.
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations

Application	Applied
Explanation on application of the practice	<p>The NC will conduct annual assessment on the Board and the Board Committees. The evaluation comprises a Board and Board Committees Assessment, an Individual (Self & Peer) Assessment.</p> <p>The assessment of the Board is based on specific criteria, covering areas such as the Board operations, stakeholder relationship, and roles and responsibilities of the Board and the Board Committees.</p> <p>The evaluation was conducted internally, facilitated by the Company Secretary.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

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

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

Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

Application	Departure	
Explanation on application of the practice		
Explanation for departure	Presently the Company does not have a formalised remuneration policies and procedures for Directors and Senior Management.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	The Board intends to put in place a remuneration policies and procedures which cover Directors and Senior Management. The Board is cognizant that such policies are premised on the need to have an adequate level of remuneration to attract and retain Directors and Senior Management personnel of high calibre and talent.	
Timeframe	Within 2 years.	

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 in place a Remuneration Committee ("RC") which comprises a majority of Independent Non-Executive Directors. The membership of the RC is outlined as below:</p> <ol style="list-style-type: none"> 1) Datuk Pau Chiong Ung (Independent Non-Executive Director and Chairman of Remuneration Committee) 2) Bin Lay Thiam (Independent Non-Executive Director) 3) Khoi Hoay Ling (Independent Non-Executive Director) <p>The RC's responsibilities include reviewing the remuneration packages, reward structure and fringe benefits applicable to Board and Senior Management, and making the appropriate recommendations to the Board.</p> <p>The Terms of Refence of the RC is accessible for reference on the Group's website at http://www.harbour.com.my</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

INTENDED OUTCOME

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.1

There is detailed disclosure on name basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	Applied
Explanation on application of the practice	The aggregate remuneration paid or payable to all Directors of the Company for the financial year ended 30 June 2019 is disclosed on page 30 of the Annual Report 2019.
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	Departure																									
Explanation on application of the practice																										
Explanation for departure	<p>Remuneration paid to the top five (5) Senior Management of HLGB for the financial year ended 30 June 2019 are as follow:</p> <table border="1"> <thead> <tr> <th></th> <th>Subsidiary</th> <th>Company</th> </tr> </thead> <tbody> <tr> <td>Key Senior Management</td> <td></td> <td></td> </tr> <tr> <td>Above RM450,001 to RM500,000</td> <td>1</td> <td>-</td> </tr> <tr> <td>Above RM500,001 to RM550,000</td> <td>1</td> <td>-</td> </tr> <tr> <td>Above RM600,001 to RM650,000</td> <td>1</td> <td>-</td> </tr> <tr> <td>Above RM650,001 to RM700,000</td> <td>-</td> <td>-</td> </tr> <tr> <td>Above RM700,001 to RM750,000</td> <td>1</td> <td>-</td> </tr> <tr> <td>Above RM750,001 to RM800,000</td> <td>1</td> <td>-</td> </tr> </tbody> </table> <p>The remuneration of the top five (5) Senior Management of the Company disclosed above is on an aggregate basis. At this particular juncture, the Board is of the view that such disclosures may affect talent retention issues as employee poaching is a common phenomenon in the shipping and logistic industry and hence, it is not in the best interest of the Group</p> <p>The Board ensures that the remuneration of Senior Management commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating Senior Management to lead and run the Company successfully. Excessive remuneration pay-outs are not made to Senior Management personnel in any instance.</p>			Subsidiary	Company	Key Senior Management			Above RM450,001 to RM500,000	1	-	Above RM500,001 to RM550,000	1	-	Above RM600,001 to RM650,000	1	-	Above RM650,001 to RM700,000	-	-	Above RM700,001 to RM750,000	1	-	Above RM750,001 to RM800,000	1	-
	Subsidiary	Company																								
Key Senior Management																										
Above RM450,001 to RM500,000	1	-																								
Above RM500,001 to RM550,000	1	-																								
Above RM600,001 to RM650,000	1	-																								
Above RM650,001 to RM700,000	-	-																								
Above RM700,001 to RM750,000	1	-																								
Above RM750,001 to RM800,000	1	-																								
<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 provide detailed disclosure of Senior Management's remuneration if the requirement is made mandatory under MMLR.																									
Timeframe	Others	At prescribed period when the requirement is made mandatory under MMLR.																								

Intended Outcomeg

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 application of the practice	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.1

The Chairman of the Audit Committee is not the Chairman of the Board.

Application	Applied
Explanation on application of the practice	<p>The Audit and Risk Management Committee (“ARMC”) comprised of wholly Independent Non-Executive Directors, with Bin Lay Thiam as the Committee Chairman. Meanwhile, the position of Chairman of the Board is currently vacant since 2016. During meetings, the Board will elect a Chairman amongst themselves to chair the meeting who is someone other than the Chairman of ARMC.</p> <p>The Chairman of the ARMC is distinct from the Chairman of the Board. Having the positions of the Board Chairman and Chairman of the ARMC assumed by different individuals allows the Board to objectively review the ARMC’s findings and recommendations.</p> <p>The Chairman of the ARMC is a member of the Malaysia Institute of Accountants (“MIA”). The possession of sound financial understanding and experience equips the Chairman of the ARMC with the ability to lead discussions and deliberations and ultimately be satisfied that the end result fairly reflects the understanding of the ARMC. His full profile can be viewed on page 6 of the Company’s Annual Report.</p> <p>The duties and responsibilities of the Chairman of the ARMC are outlined in the Terms of Reference of the ARMC, which is available on the Company’s website at http://www.harbour.com.my.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.2

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	
Explanation for departure	<p>When considering the appointment of a former key audit partner as a member of the ARMC, the ARMC 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 ARMC.</p> <p>There was no former key audit partner being appointed as a member of the ARMC.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee’s findings and recommendations. The company’s financial statement is a reliable source of information.

Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

Application	Applied
Explanation on application of the practice	<p>The ARMC is responsible to assess, evaluate and recommend the external auditors to ensure they are of the right calibre with professional ethics and integrity. In 2019, the ARMC also reviewed the types of non-audit services permitted to be provided by the external auditors of the Company so as not to compromise their independence and objectivity.</p> <p>During the financial year, the ARMC met once with the external auditor, namely Ernst and Young, in the absence of Management. The ARMC has also monitored and reviewed the performance and independence of Ernst and Young and is satisfied that the external auditor has been independent throughout the conduct of the audit process and the audit services rendered have met the quality expected by the Committee.</p> <p>For the audit of the financial year 30 June 2019, the ARMC was further assured by Ernst and Young by way of written confirmation that its personnel were and have been, independent throughout the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements.</p> <p>Pursuant to the assessment on the suitability and independence of the external auditor, the ARMC made its recommendation to the Board on the re-appointment of the external auditor alongside the accompanying audit fees.</p>
Explanation for departure	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	
Timeframe	

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.4 – Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	Applied
Explanation on application of the practice	The ARMC for the financial year ended 30 June 2019 comprised solely of Independent Directors.

Intended Outcome

There is an effective and independent Audit Committee.

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

Practice 8.5

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

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

Application	Applied
Explanation on application of the practice	<p>According to the ARMC’s terms of reference, the Board is to review the term of office and performance of the ARMC and each of its members at least once in every three (3) years to determine whether the ARMC and its members have carried out their duties in accordance with their terms of reference.</p> <p>It is also provided in the ARMC’s terms of reference that all the ARMC members should be financially literate with at least one of whom must be a member of the MIA or possesses such other qualifications and/or experience as prescribed and approved by Bursa Malaysia Securities Berhad.</p> <p>Currently, the ARMC comprises three (3) members as follows:</p> <ol style="list-style-type: none"> 1. Bin Lay Thiam (Chairman) – Independent Non-Executive Director 2. Datuk Pau Chiong Ung (Member) – Independent Non-Executive Director 3. Khoi Hoay Ling (Member)- Independent Non-Executive Director. <p>During the ARMC Meetings, the members were briefed by the external auditor, Messrs. Ernst and Young on the following key areas:</p> <ul style="list-style-type: none"> • Financial Reporting Developments; • Adoption of Malaysia Financial Reporting Standards; • Malaysian Anti-Corruption Commission Amendment Act 2018 and • Other changes in regulatory environment. <p>The seminar/training programmes attended by the ARMC members during the financial year 2019 are disclosed in the Corporate Governance Overview Statement of the Company’s page 29 Annual Report 2019</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 undertakes the responsibility for evaluating, reviewing and monitoring the vital enterprise risks that affect the business and operations. The management has the on-going process to manage and mitigate key businesses risk with the intent to strengthen the risk management and internal control system as a whole.</p> <p>A formal risk management framework has been established to ensure that structured and consistent approach and methods are practised in the ongoing process of identifying and assessing various critical risks that are considered likely to affect the profitable operation of the business units in the Group. These include operational risk, market risk, legal risk and environmental risk.</p> <p>Details of the Group's Risk Management and Internal Control Framework are set out in its Statement on Risk Management and Internal Control, which is on page 39 to page 42 of the Company's Annual Report 2019.</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	Details of the features of risk management and internal control framework, and the adequacy and effectiveness of this framework are contained in the Statement of Risk Management and Internal Control which is on page 39 to page 42 of the Company's Annual Report 2019
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.

Practiced 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 application of the practice	The size of the Company's Board is small with only three (3) Independent Directors, thus the Company does not have a separate committee for risk management. The function of risk management is absorbed by the ARMC.

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 in-house Internal Audit adopts a risk-based approach to provide assurance to the Board that the internal audit reviews conducted addresses the Group's key risks areas and core businesses based on their risk profile.</p> <p>The in-house Internal Audit function works closely with a professional service firm to carry out regular internal audit reviews in accordance with the approved risk based internal audit plan. The internal audit team reports independently and directly to the ARMC.</p> <p>The results of internal audit reviews were discussed with the respective unit heads and subsequently, the audit findings including recommendations for improvements were presented to the ARMC at their scheduled meetings. In addition, follow up reviews were conducted to ensure that corrective actions have been implemented in a timely manner.</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 effective corporate 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 Department works closely with a professional services firm namely Axcelasia Columbus Sdn Bhd, to undertake the Internal Audit function based on the audit plan that is reviewed and approved by the ARMC. The audit plan covers review of adequacy of operational controls, quality of assets and management efficiency amongst others.</p> <p>The Internal Audit Department does not have any relationships or conflict of interest, which could impair their objectivity and independence in conducting the Internal Audit Function.</p> <p>Alison Tie Chin San, is the Head of Internal Audit Department.</p> <p>The number of staff deployed for the internal audit reviews is ranging from three (3) to four (4) staff per visit including the Engagement Director. The staff involved in the internal audit reviews possesses professional qualifications and/or relevant university degree. Certain staff are members of the Institute of Internal Auditors Malaysia.</p> <p>The Internal Audit adopts a risk-based approach with focus on effective risk management practices and is guided under International Professional Practices Framework.</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>Our Board recognises the importance of being transparent and accountable to the Company's investors and, as such, has various channels to maintain communication with them.</p> <p>The Company's website provides corporate information and it is accessible by the public. Information on the Group's activities are also provided in the Annual Report and Financial Statements, which are dispatched to shareholders. Dialogues are also held when necessary with investment analysts and fund managers to keep them abreast of corporate and financial developments. The Company also encourages all shareholders and investors to access online the Company's Annual Report and up to date announcements, which are made available at Bursa Malaysia Securities Berhad's website and the Company's website at http://www.harbour.com.my. Through the Company's website, the stakeholders are able to direct queries to the Company.</p> <p>HLGB is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. At the AGM, shareholders are allowed to pose questions to the Board for clarification and to participate in deliberating resolutions being proposed or the Group's operations in general.</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	<p>The Company does not fall under the category of “Large Companies” as defined by the Malaysian Code on Corporate Governance 2017.</p> <p>The Company has yet to adopt integrated reporting based on the globally recognised framework as it is not a statutory requirement in Malaysia to adopt integrated reporting.</p> <p>The Board strives to provide true, fair and comprehensive financial reporting of the Group’s performance in the audited financial statements and quarterly financial reports together with material disclosures in the notes to accounts, in accordance with the Malaysia Financial Reporting Standards (“MFRS”) and the MMLR of Bursa Malaysia.</p> <p>The current Annual Report provides stakeholders with a fairly comprehensive overview on the Company’s financial and non-financial information including future prospects. Hence, this enables stakeholders of the Company to make informed decisions.</p>	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure		
Timeframe		

Intended Outcome

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 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	A notice period of 21 days were given to the shareholders for the 16 th AGM held on 22 November 2018.
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure	For the 17 th AGM, a notice period of at least 28 days is given prior to the meeting.
Timeframe	.

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.2

All directors attend General Meetings. The Chair of the Audit, Nomination, Risk Management and other committees provide meaningful response to questions addressed to them.

Application	Applied								
Explanation on application of the practice	<p>During the last Annual General Meeting, the Chairman of the respective Board Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Board Committees. For the upcoming AGM, the Board will continue its past practice to have the full Board present at the AGM which included the following directors who are Chairman of the Board Committees.</p> <table border="1"> <tr> <td>Board Committees</td> <td>Chairman</td> </tr> <tr> <td>Audit and Risk Management Committee</td> <td>Bin Lay Thiam</td> </tr> <tr> <td>Nomination Committee</td> <td>Datuk Pau Chiong Ung</td> </tr> <tr> <td>Remuneration Committee</td> <td>Datuk Pau Chiong Ung</td> </tr> </table> <p>The Chairman of the respective Committees were present to facilitate discussions and address any questions shareholders may have on matters that fall under the purview of the Committees.</p>	Board Committees	Chairman	Audit and Risk Management Committee	Bin Lay Thiam	Nomination Committee	Datuk Pau Chiong Ung	Remuneration Committee	Datuk Pau Chiong Ung
Board Committees	Chairman								
Audit and Risk Management Committee	Bin Lay Thiam								
Nomination Committee	Datuk Pau Chiong Ung								
Remuneration Committee	Datuk Pau Chiong Ung								
Explanation for departure									
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>									
Measure									
Timeframe									

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 12.3

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

- Including voting in absentia; and
- Remote shareholders’ participation at General Meetings.

Application	Applied
Explanation on application of the practice	The Company’s AGM is usually held in hotel, at location easily accessible by shareholders. Furthermore, there are sufficient notice given for the shareholders who were unable to attend the AGM to appoint proxies to vote on their behalf.
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	

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosure 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.