



汉联机构有限公司  
HARN LEN CORPORATION BHD

200001000001(502606-H)



# ANNUAL REPORT 2021



汉联机构有限公司  
HARN LEN CORPORATION BHD  
200001000001 (552586-H)

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Twenty-Second (22<sup>nd</sup>) Annual General Meeting (“AGM” or “Meeting”) of Harn Len Corporation Bhd (“Harn Len” or “the Company”) will be held at Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia on Tuesday, 21 June 2022 at 10.00 a.m. for the following purposes:-

### Ordinary Business:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. **Please refer to Explanatory Note 1**
2. To approve the payment of Directors’ fees of RM200,000 to Independent Non-Executive Directors for the financial year ended 31 December 2021. **Resolution 1**
3. To approve the payment of Directors’ benefits payable to the Directors up to RM200,000 for the period 1 July 2022 to 30 June 2023. **Resolution 2**
4. To re-elect the following Directors who retire in accordance with Clause 76(3) and 78 of the Constitution of the Company:-
  - i) Puan Sri Datin Chan Pui Leorn **Resolution 3**
  - ii) Mr Low Kuek Kong **Resolution 4**
  - iii) Mr Chan Chong Wey **Resolution 5**
  - iv) Brig. Jen. (B) Dato Ali Bin Haji Musa

However, Brig. Jen. (B) Dato Ali Bin Haji Musa has expressed his intention not to seek for re-election at the 22<sup>nd</sup> Annual General Meeting and hence he will cease to act as a Director of the Company at the close of the said Annual General Meeting.
5. To re-appoint Messrs Grant Thornton Malaysia PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. **Resolution 6**

### SPECIAL BUSINESS:-

To consider, and if thought fit, pass with or without modification(s), the following resolutions :-

6. **ORDINARY RESOLUTION  
- CONTINUING IN OFFICE AS INDEPENDENT NON-EXECUTIVE DIRECTOR** **Resolution 7**

“THAT approval be and is hereby given to Mr Law Piang Woon who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years to continue to act as an Independent Non-Executive Director of the Company.”



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### SPECIAL BUSINESS:- (Cont'd)

To consider, and if thought fit, pass with or without modification(s), the following resolutions :- (Cont'd)

7. **ORDINARY RESOLUTION**

**- AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("AUTHORITY TO ALLOT SHARES")**

**Resolution 8**

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016, and subject to the approval of the relevant governmental / regulatory authorities (if any), the Directors be and are hereby authorised to allot shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be allotted during the preceding 12 months does not exceed ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so allotted from Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by a resolution of the Company at a general meeting."

8. **ORDINARY RESOLUTION**

**- PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK ("PROPOSED RENEWAL OF SHARE BUY-BACK")**

**Resolution 9**

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:

- (a) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- (b) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,

("Proposed Share Buy-Back").



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### SPECIAL BUSINESS:- (Cont'd)

To consider, and if thought fit, pass with or without modification(s), the following resolutions :- (Cont'd)

#### 8. **ORDINARY RESOLUTION** **- PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK** **(“PROPOSED RENEWAL OF SHARE BUY-BACK”) (Cont'd)**

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:

- i) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- ii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or
- iii) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister charged with the responsibility for companies may by order prescribe; and/or
- viii. To deal with the treasury shares in any other manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### SPECIAL BUSINESS:- (Cont'd)

To consider, and if thought fit, pass with or without modification(s), the following resolutions :- (Cont'd)

8. **ORDINARY RESOLUTION**  
**- PROPOSED RENEWAL OF AUTHORITY FOR SHARE BUY-BACK**  
**(“PROPOSED RENEWAL OF SHARE BUY-BACK”) (Cont'd)**

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be imposed by the relevant authorities.

9. To transact any other matter for which due notice shall have been given.

By Order of the Board  
**HARN LEN CORPORATION BHD**

Wendy Mak Mei Ching (MAICSA 7022764) SSM Practicing Certificate No. 201908000065  
Yong May Li (LS 0000295) SSM Practicing Certificate No. 202008000285  
Wong Chee Yin (MAICSA 7023530) SSM Practicing Certificate No. 202008001953

Company Secretaries  
Johor Bahru

29 April 2022

### Notes:-

1. **IMPORTANT NOTICE**

The Board of Directors (“Board”) is cognisant of the COVID-19 pandemic as declared by the World Health Organisation which, to-date, is still subsisting. The health and safety of the Company’s shareholders, Directors, staff and other stakeholders is of paramount concern for the Company. In view of the foregoing, the Company wishes to advise shareholders that necessary steps and measures will be undertaken in holding the 22<sup>nd</sup> AGM.

In view of the COVID-19 pandemic and further to the “Guidance and FAQs on the Conduct of General Meetings for Listed Issuers” issued by the Securities Commission, members/proxies/corporate representatives who wish to attend the 22<sup>nd</sup> AGM in person **ARE REQUIRED TO PRE-REGISTER** with the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd (“Share Registrar”, “Tricor”, or “TIIH”), via the **TIIH Online** website at <https://tiih.online> no later than **Sunday, 19 June 2022 at 10.00 a.m.** Please follow the Pre-Register Procedures in the Administrative Details for 22<sup>nd</sup> AGM.



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Notes:- (Cont'd)

2. For the purpose of determining who shall be entitled to attend the 22<sup>nd</sup> AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company, a **Record of Depositors as at 13 June 2022**. Only a member whose name appears on this Record of Depositors shall be entitled to attend the 22<sup>nd</sup> AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.
3. A member entitled to attend and vote at the 22<sup>nd</sup> AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
4. A member of the Company who is entitled to attend and vote at an Annual General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the 22<sup>nd</sup> AGM.
5. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
6. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
8. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
9. A member who has appointed a proxy or attorney or corporate representative to attend and vote at the 22<sup>nd</sup> AGM must request his/her proxy or attorney or corporate representative to **PRE-REGISTER** their attendance via **TIIH Online** website at <https://tiih.online> no later than Sunday, **19 June 2022 at 10.00 a.m.** Please follow the Pre-Register Procedures in the Administrative Details for 22<sup>nd</sup> AGM.
10. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 22<sup>nd</sup> AGM or adjourned Meeting at which the person named in the appointment proposes to vote:
  - i) In hard copy form

In the case of an appointment made in hard copy form, this form of proxy must be deposited at the Registered Office of the Company at 6th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia.
  - ii) By electronic means via facsimile

In the case of an appointment made by facsimile transmission, this form of proxy must be received via facsimile at 07-3328096.
  - iii) By electronic means via email

In the case of an appointment made via email transmission, this form of proxy must be received via email at [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com).

## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Notes:- (Cont'd)

10. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 22<sup>nd</sup> AGM or adjourned Meeting at which the person named in the appointment proposes to vote: (Cont'd)

For options (ii) and (iii), the Company may request any member to deposit original executed form of proxy to its Registered Office before or on the day of meeting for verification purpose.

iv) By electronic means via TIIH Online

In the case of an appointment made via TIIH Online, this form of proxy can be lodged via **TIIH Online** at <https://tiih.online>. Kindly refer to the Administrative Details on the procedure for electronic lodgement of form of proxy via TIIH Online.

11. Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Registered Office of the Company at 6th Floor, Johor Tower, 15 Jalan Gereja, 80100 Johor Bahru, Johor, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 22<sup>nd</sup> AGM or adjourned Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
12. Please ensure ALL the particulars as required in this form of proxy are completed, signed and dated accordingly.
13. Last date and time for lodging this form of proxy is **Sunday, 19 June 2022 at 10.00 a.m.**
14. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:
- Identity card (NRIC) (Malaysian), or
  - Police report (for loss of NRIC) / Temporary NRIC (Malaysian), or
  - Passport (Foreigner).
15. For a corporate member who has appointed an authorised representative instead of a proxy to attend this meeting, please bring the **original or duly certified** certificate of appointment executed in the manner as stated in this form of proxy if this has not been lodged at the Registered Office of the Company earlier. The certificate of appointment of authorised representative should be executed in the following manner:
- If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the Constitution of the corporate member.
  - If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    - at least two (2) authorised officers, of whom one shall be a director; or
    - any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.





## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Explanatory Notes:-

#### Ordinary Business:

1. **Item 1 of the Agenda**

This Agenda item is meant for discussion only as the provisions of Sections 248(2) and 340(1) of the Companies Act 2016 does not require a formal approval of the Shareholders. Hence, this Agenda item is not put forward for voting by shareholders of the Company.

2. **Item 3 of the Agenda**  
**Ordinary Resolution 2**  
**Directors' Benefit for the period 1 July 2022 to 30 June 2023**

The total estimated benefit payable comprised of meeting allowance and annual allowance for the Board and Board Committees of the Company for the period 1 July 2022 to 30 June 2023.

#### Special Business:-

3. **Item 6 of the Agenda**  
**Ordinary Resolutions 7**  
**Continuing in office as Independent Non-Executive Director**

The Nominating Committee had assessed the independence of Mr Law Piang Woon who have served on the Board as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years and the Board has recommended that the approval of the shareholders be sought to re-appoint Mr Law Piang Woon as Independent Non-Executive Director of the Company.

The Resolutions 7 proposed under Agenda 6(i), if passed, will allow Mr Law Piang Woon to continue to act as Independent Non-Executive Director of the Company to fulfill the requirements of Paragraph 1.01 of Bursa Securities Main LR and in line with the practice 4.2 of the Malaysian Code on Corporate Governance.

The full details of the Board's justification and recommendations for the retention of the above Director as Independent Non-Executive Director are set out in the Corporate Governance Overview Statement in the Annual Report 2021 on page 33.

4. **Item 7 of the Agenda**  
**Ordinary Resolution 8**  
**Authority to allot shares**

The proposed Ordinary Resolution 8 is the renewal of the mandate obtained from the members at the 21<sup>st</sup> Annual General Meeting held on 28 September 2021. As at the date of this Notice, no new shares were issued pursuant to the last mandate.

The Proposed Ordinary Resolution 8, if passed, will empower the Directors to allot shares in the Company up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the best interest of the Company.

This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting. The renewal of the general mandate is to provide flexibility to the Company to allot new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time. The purpose of this general mandate is for possible fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions and/or for issuance of shares as settlement of purchase consideration.



## NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

### Special Business:- (Cont'd)

5. **Item 8 of the Agenda**  
**Ordinary Resolution 9**  
**Proposed Renewal of Share Buy-Back**

This Ordinary Resolution, if passed, will enable the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

The details of this proposed Ordinary Resolution are set out in the Circular to Shareholders of the Company dated 29 April 2022.

### STATEMENT ACCOMPANYING NOTICE OF 22<sup>ND</sup> ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27 (2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

### Further details of individuals who are standing for election as Directors (excluding Directors standing for a re-election)

There is no person seeking for election as Director of the Company at the 22<sup>nd</sup> Annual General Meeting.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Puan Sri Datin Chan Pui Leorn	<i>Deputy Executive Chairman</i>
Mr Low Quek Kiong	<i>Managing Director</i>
Mr Low Kueck Shin	<i>Deputy Managing Director</i>
Mr Low Kwek Lee	<i>Executive Director</i>
Mr Low Kuek Kong	<i>Executive Director</i>
Mr Low Kok Yong	<i>Executive Director</i>
Mr Low Kok Yaow	<i>Executive Director</i>
Mr Loh Wann Yuan	<i>Senior Independent Non-Executive Director</i>
<i>(Resigned on 29.9.2021)</i>	
Mr Chan Chong Wey	<i>Senior Independent Non-Executive Director</i>
<i>(Appointed on 12.11.2021 )</i>	
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	<i>Independent Non-Executive Director</i>
Mr Law Piang Woon	<i>Independent Non-Executive Director</i>
En Mohamed Akwal Bin Sultan Mohamad	<i>Independent Non-Executive Director</i>

<p><b>AUDIT COMMITTEE</b> Mr Loh Wann Yuan <i>(Resigned on 29.9.2021)</i> Mr Chan Chong Wey (Chairman) <i>(Appointed on 12.11.2021 )</i> Brig. Jen. (B) Dato' Ali Bin Hj. Musa Mr Law Piang Woon En Mohamed Akwal Bin Sultan Mohamad</p>	<p><b>AUDITORS</b> Messrs Grant Thornton Malaysia PLT Chartered Accountants Unit 28.01, 28<sup>th</sup> Floor, Menara Zurich, No. 15, Jalan Dato Abdullah Tahir, 80300 Johor Bahru, Johor.</p>
<p><b>NOMINATING COMMITTEE</b> Mr Loh Wann Yuan <i>(Resigned on 29.9.2021)</i> En Mohamed Akwal Bin Sultan Mohamad (Chairman) Brig. Jen. (B) Dato' Ali Bin Hj. Musa Mr Law Piang Woon</p>	<p><b>PRINCIPAL BANKERS</b> Public Bank Berhad OCBC Bank (Malaysia) Berhad Alliance Bank (Malaysia) Berhad CIMB Bank (Malaysia) Berhad AmBank Berhad Maybank Berhad</p>
<p><b>REMUNERATION COMMITTEE</b> Mr Loh Wann Yuan <i>(Resigned on 29.9.2021)</i> En Mohamed Akwal Bin Sultan Mohamad (Chairman) Brig. Jen. (B) Dato' Ali Bin Hj. Musa</p>	
<p><b>REGISTERED OFFICE / BUSINESS ADDRESS</b> 6<sup>th</sup> Floor, Johor Tower 15 Jalan Gereja 80100 Johor Bahru Telephone No. : 07-2221777 Facsimile No. : 07-2249213</p>	<p><b>STOCK EXCHANGE LISTING</b> Main Market of Bursa Malaysia Securities Berhad ("Bursa") Stock Code : Harn Len 7501 Sector : Plantation</p>
<p><b>SECRETARIES</b> Ms Wendy Mak Mei Ching (MAICSA 7022764) SSM Practicing Certificate No. 201908000065 Ms Fong Siew Kim (MAICSA 7022188) SSM Practicing Certificate No. 202008000792 <i>(Resigned on 10.2.2022)</i> Ms Yong May Li (LS 0000295) SSM Practicing Certification No. 202008000285 Ms Wong Chee Yin (MAICSA 7023530) SSM Practicing Certificate No. 202008001953</p>	<p><b>SHARE REGISTRAR</b> Tricor Investor &amp; Issuing House Services Sdn Bhd (11324-H) Unit 32-01, Level 32, Tower A Vertical Business Suite, Avenue 3 Bangsar South, No 8 Jalan Kerinchi 59200 Kuala Lumpur, Malaysia Telephone No. : 603-2783 9299 Facsimile No. : 603-2783 9222</p>



## 5 YEARS KEY STATISTICS

		2021	2020	Year 2019	2018	2017
<b>FINANCIAL PERFORMANCE</b>						
Revenue	(RM'000)	219,432	121,924	116,901	185,732	326,020
(Loss)/Profit From Operations	(RM'000)	(18,379)	107,284	(48,653)	(9,284)	21,285
EBITDA	(RM'000)	1,769	127,402	(27,742)	13,335	42,138
(Loss)/Profit Before Tax	(RM'000)	(23,181)	99,111	(58,645)	(19,732)	14,451
Taxation (Income)/Expense	(RM'000)	(201)	1,007	1,390	2,755	8,054
<b>(Loss)/Profit After Tax</b>	<b>(RM'000)</b>	<b>(22,980)</b>	<b>98,104</b>	<b>(60,035)</b>	<b>(22,487)</b>	<b>6,397</b>
(Loss)/Profit attributable to owners of the Company	(RM'000)	(22,190)	98,764	(58,291)	(21,172)	6,119
Total Equity	(RM'000)	298,250	311,568	224,543	284,578	307,067
Total Assets	(RM'000)	436,585	482,973	514,306	567,420	552,032
Total Borrowings & Hire Purchase Lease Liabilities	(RM'000)	62,931	69,726	97,147	139,413	123,649
Return on Equity	%	(7.44)	31.70	(25.96)	(7.44)	1.99
PE Ratio (times)		N/A	1.36	N/A	N/A	18.00
Return on Total Assets	%	(5.08)	20.45	(11.33)	(3.73)	1.11
Gearing Ratio		0.21	0.22	0.43	0.49	0.40
Interest Cover (times)		0.34	14.70	(2.77)	1.28	6.16
Debt-to-equity ratios		0.46	0.55	1.29	1.00	0.80
Earnings Per Share-Basic	Sen	(11.37)	53.61	(30.26)	(12.22)	3.43
Net Assets Per Share	RM	1.53	1.69	1.30	1.64	1.72
Gross Dividend per share	Sen	-	10	-	-	-
Gross Dividend yield	%	-	13.7	-	-	-
Share Price at financial year end	Sen	70	73	58	34	62
<b>ESTATES</b>						
<u>Planted area</u>						
Mature	(ha)	16,697	15,564	14,269	13,269	11,387
Immature	(ha)	394	1,527	2,568	3,814	5,493
<b>Total Planted Area</b>	<b>(ha)</b>	<b>17,091</b>	<b>17,091</b>	<b>16,837</b>	<b>17,083</b>	<b>16,880</b>
FFB Production	(mt)	81,871	114,751	159,811	180,023	182,161
Yield Per Mature Hectare	(mt/ha)	4.903	7.373	11.200	13.567	15.997
<b>MILLS</b>						
<u>FFB Processed</u>						
Own FFB	(mt)	57,254	86,869	146,246	180,023	182,161
Outside FFB	(mt)	153,157	77,483	75,303	141,889	214,281
<b>Total</b>	<b>(mt)</b>	<b>210,411</b>	<b>164,352</b>	<b>221,549</b>	<b>321,912</b>	<b>396,442</b>
<u>Production</u>						
Crude Palm Oil	(mt)	41,869	33,789	47,102	66,615	79,475
Palm Kernel	(mt)	8,913	7,052	9,521	14,424	17,111
<u>Extraction Rate</u>						
Crude Palm Oil						
Extraction Rate	(%)	19.90	20.56	21.26	20.69	20.05
Palm Kernel						
Extraction Rate	(%)	4.24	4.29	4.30	4.48	4.32
<u>Average Selling Prices (Nett)</u>						
Crude Palm Oil	(RM/mt)	4,053	2,718	2,040	2,257	2,766
Palm Kernel	(RM/mt)	2,533	1,497	1,139	1,706	2,432
<b>Profile of Trees</b>						
Immature (0-3 years)	Ha	394	1,527	2,568	3,814	5,493
Young (4-7 years)	Ha	5,447	4,391	3,827	2,808	1,057
Prime (8-19 years)	Ha	11,250	11,173	10,442	10,461	10,247
Past Prime (> 20 years)	Ha	0	0	0	0	83

Abbreviations :

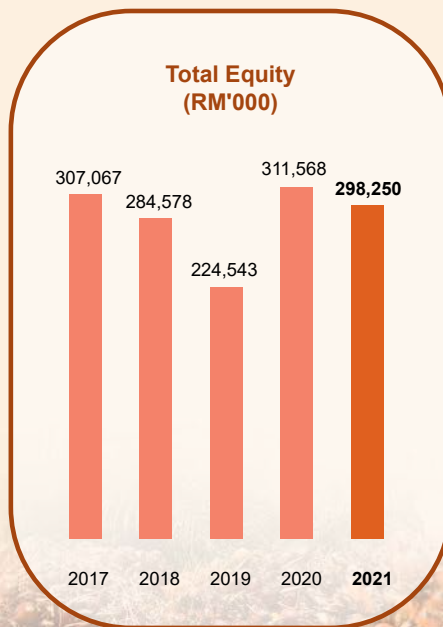
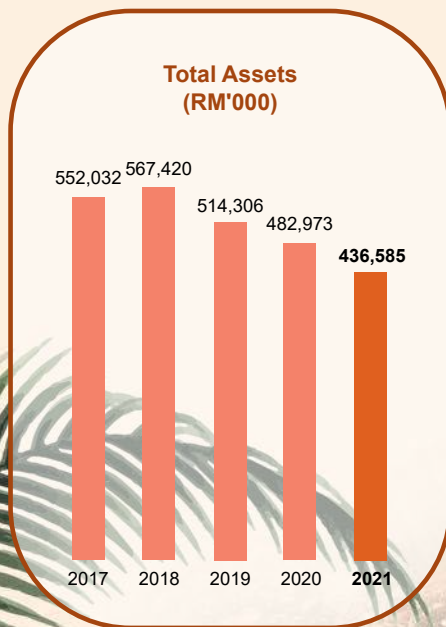
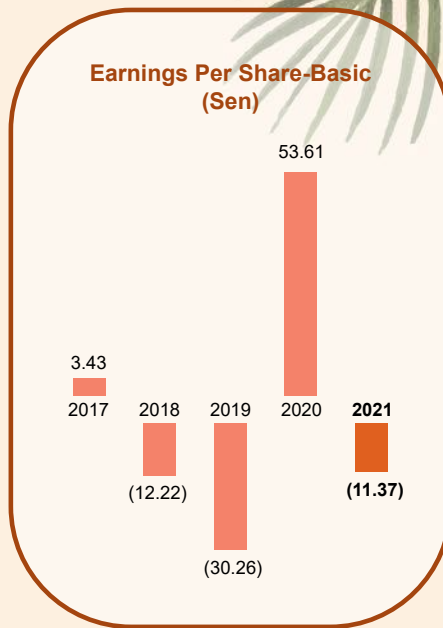
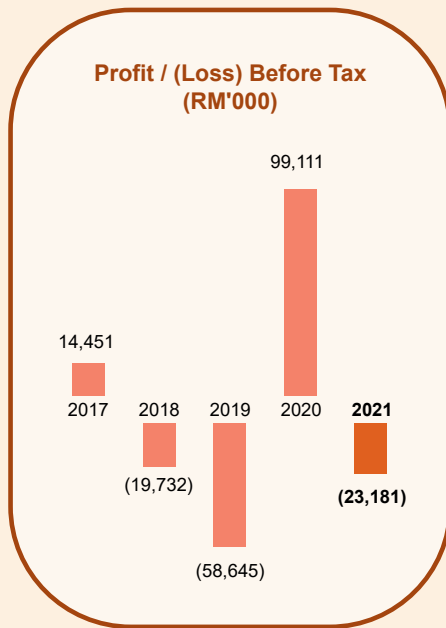
EBITDA - Earnings before Interest, Tax, Depreciation and Amortisation

Ha - Hectare

mt - Metric ton



## 5 YEARS KEY STATISTICS (CONT'D)





## DEPUTY CHAIRMAN'S STATEMENT



Dear shareholders,

As the world went through a slow and uncertain recovery in 2021, outbreaks of COVID-19 continued to occur around the world and impacted supply chains. The average crude palm oil ("CPO") and palm kernel ("PK") prices for 2021 increased by 49.1% and 69.2%, respectively, compared to the previous year, mainly driven by lower supply and worker shortages which had also put pressure on operating expenses across many Malaysian industries. Despite challenges in the market, Harn Len Corporation Bhd ("Harn Len" or the "Group") remained committed to sticking to its Strategic Turnaround Plan and better preparing itself to achieve sustainable profits in the near future. As a responsible business, we have also undertaken efforts to protect the environment and our employees. We ensured we adopt sustainable agricultural practices and continued to pursue resource efficiency and minimise our environmental impact. FY2021 marks a key milestone for Harn Len as we publish our inaugural disclosure of Scope 1 and 2 carbon emission data. To protect our employees, we initiated our own vaccination programme for employees which has helped to fully vaccinate 99.8% of our employees.

On behalf of the Board of Directors ("Board"), I present to our esteemed shareholders the progress and performance of the Group during the financial year ended 31 December 2021 ("FY2021").

During FY2021, Group revenue increased 80% to RM219.4 million mainly due to higher CPO and PK prices and increased sales volume from our intensified harvesting schedule. However, we also faced significant increase in operating costs, impacting profitability. The Group recorded a loss before tax of RM23.2 million mainly attributable to lower profits from the Plantation Segment, losses in the Property and Other Segments, and a one-off impairment of other receivables.

### The Group's Strategic Focuses

During the year, we remained committed to executing our Strategic Turnaround Plan despite challenges from the pandemic and the ensuing impacts on the labour market and supply chain. We are now starting to see the fruits of our Strategic Turnaround Plan initiated in 2019. After our efforts to dispose of non-core business and assets and trim non-priority spending, the Group's current business and operations have become leaner, allowing us to focus better on our core business and conserve cash. We now have a better financial position with lower gearing at 0.21x and reduced liabilities. We believe our efforts and progress in the past years have set the Group in a better position to tackle challenges head-on and with greater focus.

The pandemic in recent years has altered some industry and business fundamentals, resulting in new uncertainties in our quest towards improving margins. For instance, increasing costs for fertilisers and herbicides compounded the impact of labour shortages, making it more challenging for us to keep margin in check. Close monitoring of the market environment and forces has become a regular activity of our Management team, as well as ongoing review of emerging and existing risks and opportunities via our risk management processes. The Group will intensify its focus on spurring productivity, enhancing yield, and oil extraction rates. We are also working closely with government ministries and agencies in search of solutions to resolve labour shortage issues, as well as ramping up our hiring activities.

### Sustainability

As we set our vision to build a sustainable business, we incorporate responsible and sustainable practices in our business strategies and operations with a view to conserve resources and energy, and protect the ecosystem, biodiversity, and our people. As at 31 December 2021, 89% of the Group's output was certified as sustainable oil in accordance with the Malaysian Sustainable Palm Oil ("MSPO") Certification Scheme and we expect to achieve 100% by the end of 2023. As we move forward to pursue value creation as a profitable business, we will aim to do so sustainably as well.

## DEPUTY CHAIRMAN'S STATEMENT (CONT'D)

### Prospects

Moving into 2022, we are gradually seeing countries easing movement restrictions, boosting trade and cross-border movements. While we hope this will alleviate operational costs, we are also intensifying monitoring and reviewing efforts in relation to cost and margin management, to achieve sustainable business operations in the long term.

Overall, the industry expects demand for palm oil to remain strong in the first half of 2022. Global events such as the development of the pandemic and geopolitical risks will continue to bring uncertainties to the global supply chain, which we will continue to manage via our risk management and sustainability management processes.

### Appreciation

I wish to express my sincere gratitude to our Board members, Management team, and employees who have worked hard together towards achieving a shared vision and direction. Stronger together with aligned objectives, their dedication and commitment have prepared the Group for future success.

On behalf of the Board of Directors, I wish to thank Mr. Loh Wann Yuan for his service and wish him well on his future endeavours. I would also like to extend a warm welcome to Mr. Chan Chong Wey who has more than 20 years of experience in the space of auditing and accounting and will contribute to the future success of the Group. The Board of Directors would also like to thank our clients, business partners, associates, bankers, shareholders, and the respective regulatory authorities for their continuous support and confidence in the Group.

### PUAN SRI DATIN CHAN PUI LEORN

*Deputy Executive Chairman*

19 April 2022.





## PROFILE OF DIRECTORS



**PUAN SRI DATIN  
CHAN PUI LEORN**

*NON-INDEPENDENT, EXECUTIVE*

**Puan Sri Datin Chan Pui Leorn (Puan Sri Datin Chan)**, aged 63, Malaysian Female, was appointed to the Board of Harn Len as an Executive Director on 1 March 2011. On 1 January 2015, Puan Sri Datin Chan was appointed the Deputy Executive Chairman of the Harn Len.

Puan Sri Datin Chan was a Manager of Ulu Tiram Transport Company and Lama Trading Company from 1978 and 1983. She has vast experience in the transportation and logistics business, property management, administrative work and corporate planning.

Besides her executive position in Harn Len, Puan Sri Datin Chan is a Member of the Commerce Committee and International Trade and Industry Committee of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM). She is also the Honorary Advisor of Persatuan Tiong-Hua Johor Bahru and a Council Member of Chinese Overseas Exchange Association.

Apart from her directorship in the Company, she does not hold any directorship in other listed companies in Malaysia. She holds directorship in several private limited companies.

Puan Sri Datin Chan is an immediate family member of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Puan Sri Datin Chan is a substantial shareholder of the Company by virtue of her direct and indirect interest in shareholdings held by her family-owned companies. She is deemed interested in related party transactions carried out in the ordinary course of business between the Company and her family-owned companies which details are found in Note 28 of the Financial Statements.



**LOW QUEK KIONG**

*NON-INDEPENDENT, EXECUTIVE*

**Low Quek Kiong (“Low QK”)**, aged 70, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low QK was appointed Managing Director of Harn Len on 1 January, 2015.

He joined his family-owned business which have major interest in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations, property development and hotel operations after completing his education in the early 1970s and has gained invaluable business experience.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr Low QK is an immediate family member of Puan Sri Datin Chan, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr Low QK is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 28 of the Financial Statements.





## PROFILE OF DIRECTORS (CONT'D)



**LOW KUECK SHIN**

*NON-INDEPENDENT, EXECUTIVE*

**Low Kueck Shin, KMN (“Low KS”)**, aged 65, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low KS was appointed the Deputy Managing Director of Harn Len on 1 January 2015.

Mr Low KS obtained his Higher National Diploma in Business Studies from Croydon Technical College, London, England. He has more than 30 years’ experience in managing oil palm plantations and palm oil mill operations.

Besides his involvement in Harn Len, Mr Low KS is the President of Johor Bahru Chinese Chamber of Commerce and Industry. He is also the National Council of The Associated Chinese Chamber of Commerce and Industry and the appointed Chairman of Agriculture and Primary Industries Committee from 2021 to 2023.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr Low KS is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kuek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr Low KS is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 28 of the Financial Statements.



**LOW KWEK LEE**

*NON-INDEPENDENT, EXECUTIVE*

**Mr Low Kwek Lee (“KL Low”)**, aged 63, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003.

Mr KL Low obtained his Higher National Diploma in Business Studies from Brighton Technical College, Brighton, England in 1980. He was an associate member of Institut Pengurusan Malaysia (MIM) since 1991 and admitted as an ordinary member on 14 August, 2014. He joined his family-owned diversified business with major interests in logging, transportation, sawmilling, plywood manufacturing, oil palm plantations and palm oil mill operations and hotel operations after completing his education.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr KL Low is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr KL Low is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 28 of the Financial Statements.



## PROFILE OF DIRECTORS (CONT'D)



**LOW KUEK KONG**

*NON-INDEPENDENT, EXECUTIVE*

**Low Kuek Kong** (“**Low KK**”), aged 55, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003 and was subsequently appointed the Executive Director on 1 August 2003. Mr Low KK graduated with a Bachelor of Economics in 1993. Prior to joining his family-owned transportation business in 1996, he was a Production Manager in an electronics firm.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr Low KK is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kok Yong and Mr Low Kok Yaow who are all directors of the Company. Mr Low KK is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 28 of the Financial Statements.



**CHAN CHONG WEY**

*SENIOR INDEPENDENT, NON- EXECUTIVE*

**Chan Chong Wey**, aged 47, a Malaysian Male, was appointed to the Board of Harn Len on 12 November 2021. Mr Chan is the Chairman of Audit Committee. He was appointed as a Senior Independent Director on 30 November 2021.

He graduated from Royal Melbourne Institute of Technology University, Australia, with a Bachelor of Business (Accountancy). Upon graduation, he was attached to a Big 4 Accounting Firm in Malaysia for more than 22 years. Currently, he is managing his own audit practice. He is a qualified Chartered Accountant and a member of Malaysian Institute of Accountants and fellow member of CPA Australia.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

Mr Chan is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.



## PROFILE OF DIRECTORS (CONT'D)



**BRIG. JEN. (B)  
DATO' ALI  
BIN HJ MUSA**

*INDEPENDENT, NON-EXECUTIVE*

**Brig. Jen. (B) Dato' Ali Bin Hj Musa ("Dato' Ali")**, aged 79, a Malaysian Male, was appointed to the Board of Harn Len on 25 February 2003. Dato' Ali is a member of the Remuneration Committee, Audit Committee and Nomination Committee .

Dato' Ali was an officer in the Malaysian Armed Forces until his retirement in July 1997. During his service as Brigadier General he commanded an infantry Brigade in Kelantan.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

Dato' Ali is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.



**LAW PIANG WOON**

*INDEPENDENT, NON-EXECUTIVE*

**Law Piang Woon**, aged 80, a Malaysian Male, was appointed to the Board of Harn Len on 5 August 2003. He is currently a member of the Audit Committee and Nomination Committee.

He holds a Bachelor of Commerce (Accountancy) Degree and is currently practicing as a Public Accountant. Apart from his qualification as a Chartered Accountant of Malaysia, he holds various qualifications including Certified Public Accountant (Australia), Chartered Accountant of Singapore, Fellow of Chartered Tax Institute of Malaysia (FCTIM) and Fellow of the Association of Chartered Certified Accountants (FCCA).

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia.

He is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.





## PROFILE OF DIRECTORS (CONT'D)



**MOHAMED  
AKWAL SULTAN  
MOHAMAD**

*INDEPENDENT, NON-EXECUTIVE*

**Mohamed Akwal Sultan Mohamad (En Akwal)**, aged 68, a Malaysian Male, was appointed to the Board of Harn Len as an Independent Non-Executive Director on 28 March 2014. He is the Chairman of the Remuneration Committee and also sits on the Audit Committee and Nomination Committee.

En Akwal holds a Bachelor of Business Administration and a Diploma in Food Technology. He has more than 30 years' experience in the financial sector with significant experience in debt resolution. His extensive experience includes corporate banking, debt recovery, SME Lending, debt management and providing advisory services to companies. He was previously the Chief Executive Officer of the Credit Counselling and Debt Management Agency (AKPK). Currently he is the Managing Director of My Tech Division Sdn Bhd, a company involved in one stop HR Solutions, Software Development and IT Solutions.

Apart from his directorship in the Company, he is also an Independent Non-Executive Chairman of Eastland Equity Bhd, a company listed on the Main Board.

He is not related to any director or substantial shareholder of Harn Len and does not have any conflict of interest in any business arrangement involving the Company.



**LOW KOK YONG**

*NON-INDEPENDENT, EXECUTIVE*

**Low Kok Yong ("Low KY")**, aged 36, a Malaysian Male, was appointed to the Board of Harn Len as an Executive Director on 1 January 2014. He attended Cambridge Tutors College, South Croydon, England for his A-levels. He joined Harn Len on 1 September 2005 as a Management Trainee and was subsequently promoted to Head of Business Development in 2010.

Besides his involvement in Harn Len, Mr Low KY is a Committee Member of the Youth Committee of the All China Federation Member of Returned Overseas Chinese and a Committee Member of the Youth Divisions for both Malaysia-China Chamber of Commerce and Johor Associated Chinese Chamber of Commerce and Industry. In addition, he is also a Council Member of the Johor Bahru Chinese Chamber of Commerce and Industry and a Committee Member of its Youth Division.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr Low KY is an immediate family member of Puan Sri Datin Chan, Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong and Mr Low Kok Yaow who are all directors of the Company. Mr Low KY is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 28 of the Financial Statements.



## PROFILE OF DIRECTORS (CONT'D)



**LOW KOK YAOW**

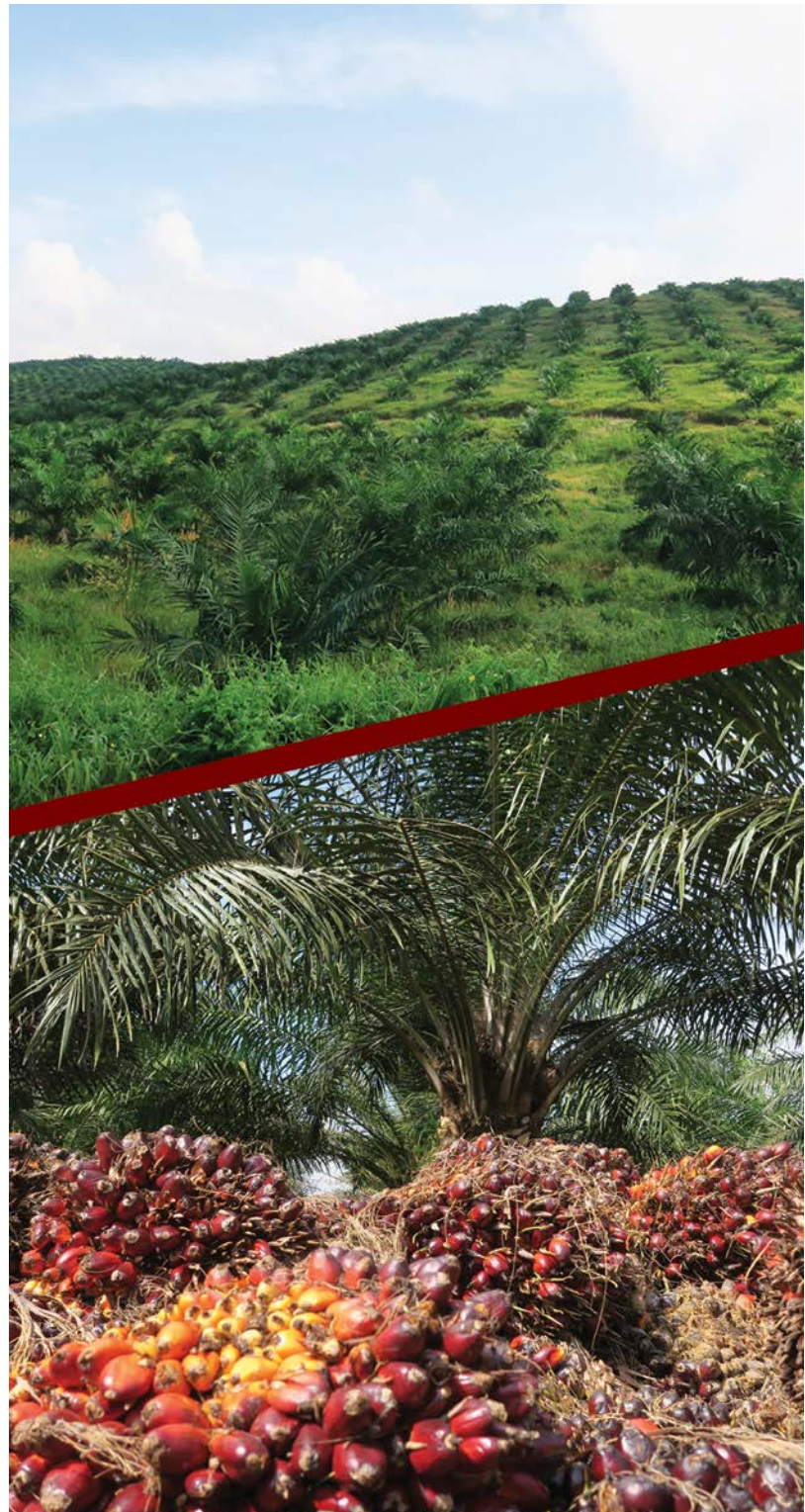
*NON-INDEPENDENT, EXECUTIVE*

**Low Kok Yaow** (“**Low KYw**”), aged 33, a Malaysian Male, was appointed to the Board of Harn Len as an Executive Director on 1 January 2015. Mr Low KYw holds a Bachelor of Business & Commerce from Monash University, Melbourne, Australia. He joined Harn Len on 1 August 2011 as a Business Development Manager and was subsequently promoted to Head of Business Development of 1 January, 2014.

Besides his involvement in Harn Len, Mr Low KYw is a Member of the Youth Committee of All China Federation of Returned Overseas Chinese and a Council Member of the Henan Province Overseas Friendship Association.

Apart from his directorship in the Company, he does not hold any directorship in other listed companies in Malaysia. He holds directorship in several private limited companies.

Mr Low KYw is an immediate family member of Puan Sri Datin Chan and the sibling of Mr Low Quek Kiong, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong and Mr Low Kok Yong who are all directors of the Company. Mr Low KYw is a substantial shareholder of the Company by virtue of his direct and indirect interest in shareholdings held by his family-owned companies. He is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family-owned companies which details are found in Note 28 of the Financial Statements.



## CONVICTION OF OFFENCE

None of the Directors of the Company has been convicted of any offence within the past 5 (five) years other than traffic offences.



## KEY MANAGEMENT OFFICERS



**LOW YEW YERN**  
*CHIEF FINANCIAL OFFICER*

**Low Yew Yern**, 43, Malaysian Male, graduated from University of London with a Degree in Economics in 1999 and Masters in Economics in 2001. He also holds an Executive Master in Plantation Management from Asia e University. Mr Low has been the Chief Financial Officer of the Company since July, 2003.

Prior to joining the Company, he was working at his family owned business which has vast business interest in the plantation, oil milling and hospitality industries and property investment.

He does not hold any directorship in public and listed companies in Malaysia.

He is the son of Mr Low Quek Kiong and his other immediate family members are Puan Sri Chan Pui Leorn, Mr Low Kueck Shin, Mr Low Kwek Lee, Mr Low Kuek Kong, Mr Low Kok Yong and Mr Low Kok Yaow, who are all Directors of the Company and is related to the major shareholders of the Company. By virtue of his relationship with the directors and major shareholders of the Company, he is deemed interested in related party transactions carried out in the ordinary course of business between the Company and his family owned companies which details are found in Note 28 of the Financial Statements.

He has not been convicted of any offences within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies for the financial year ended 31 December, 2021.



**MDM LAI NYUK FAH**  
*GENERAL MANAGER, SARAWAK OPERATIONS*

**Mdm Lai Nyuk Fah**, 62, Malaysian Female, holds an Executive Master in Business & Industrial Management from Asia e University. She has been the General Manager of the Sarawak operations since 1 October, 2013.

Mdm Lai was a marketing manager and director of a Company which markets labels from 1979 to 2003. She joined Masranti Plantation Sdn Bhd, a wholly owned subsidiary of Harn Len in July 2003 as an Administrative General Manager and was promoted to her current position.

She does not hold any directorship in public and listed companies in Malaysia and is not related to any director or major shareholder of the Company.

She does not have any conflict of interest with the Company and has not been convicted of any offences within the past five (5) years or any public sanction or penalty imposed by the relevant regulatory bodies for the financial year ended 31 December, 2021.



## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

This Management Discussion and Analysis Statement (“Statement”) provides a discussion and analysis of the business, operations, and performance of Harn Len Corporation Bhd (“Harn Len”) and its group of subsidiaries (“Harn Len Group” or the “Group”) for the financial year ended 31 December 2021 (“FY2021”).

### Summary and Overview of Harn Len Group

The Group’s principal business segments comprise of the Plantation and Property and Others, with their business activities set out below:

Business Segments	Details and locations of segmental activities/operations
Plantation	The operation of oil palm estates, palm oil mill, sales and purchases of Fresh Fruit Bunches, sales and trading of crude palm oil (“CPO”) and palm kernel (“PK”) and the provision of plantation development contract services to related parties and external customers in Pahang and Sarawak.
Property and Others	Property investment in land, commercial and industrial buildings in Johor and Sarawak where rental is the main source of income. Other business includes the operation of a food and beverage outlet.

### 2021 Financial Highlights

The Group’s revenue and results before tax, including segmental operating results, for the financial year under review and the preceding year are summarised as follows:

	FY2021 (RM’000)	FY2020 (RM’000)	Change	
			(RM’000)	%
<b>Group revenue</b>	<b>219,432</b>	<b>121,924</b>	97,508	80.0%
<b>Segment results (revenue)</b>				
• Plantation	<b>217,194</b>	<b>118,923</b>	98,271	82.6%
• Property and Others	<b>2,238</b>	<b>3,001</b>	(763)	(25.4%)
<b>Group profit (loss) before taxation</b>	<b>(23,181)</b>	<b>99,111</b>	(122,292)	(123.4%)
<b>Segment results (EBITDA)</b>				
• Plantation	<b>26,624</b>	<b>138,727</b>	(112,103)	(80.8%)
• Property and Others	<b>(4,666)</b>	<b>(4,729)</b>	63	(1.3%)
<b>Profit/(loss) from Segment Operations</b>	<b>21,958</b>	<b>133,998</b>	(112,040)	(83.6%)

The Group recorded overall revenue of RM219.4 million for FY2021, an increase of 80% from RM121.9 million in FY2020, contributed by the Plantation segment with better sales volume and higher average selling price of crude palm oil (“CPO”) and palm kernel (“PK”). However, this is offset by higher operating costs of the Plantation segment as well as labour shortages due to limited access to foreign labour arising from movement control orders (“MCOs”) by the government to curb the spread of COVID-19. Losses incurred from the property operations were largely due to rental waivers and low occupancy rates, and impairment of other receivables. The Group recorded a loss before tax of RM23.2 million, compared to RM99.1 million profit before tax in FY2020, after accounting for the impairment of other receivables. The significantly higher profit recorded in FY2020 was also largely contributed by a one-off gain from the disposal of Lian Hup Estate and Lian Hup Oil Mill.



## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (CONT'D)

### 2021 Financial Highlights (Cont'd)

The Group brought down its liabilities by 19% to RM138.3 million after reducing bank borrowings, lease liabilities, and trade payables. Total assets were reduced to RM 436.6 million after use of cash, the impairment of other receivables, and impairment of inventories. With lower total borrowings at RM62.9 million, the Group recorded a slightly lower gearing at 0.21x. The Group continues to maintain a prudent and cautious approach in managing its capital resources to meet operational requirements and capital expenditure from time to time.

Key indicators	31 December 2021	31 December 2020	Change	
			(RM'000)	(%)
Total Equity (RM'000)	298,250	311,568	(13,318)	(4.3%)
Total Assets (RM'000)	436,585	482,973	(46,388)	(9.6%)
Borrowings and lease liabilities* (current and long-term) (RM'000)	62,931	69,726	(6,795)	(9.7%)
Gearing (Debt/Equity)	0.21	0.22		

\*including borrowings and lease liabilities for hire purchase contracts owing to financial institutions.

Cash and cash equivalents of the Group decreased by RM13.5 million or 38% to RM22.0 million. The key movements in cash and cash equivalents are summarised as follows:

- reduction in cash flow from operating activities mainly due to repayment of trade and other payables;
- net cash outflow from investing activities largely due to investment in property, plant, and equipment; and
- net cash outflow from financing activities largely due to financing costs and repayment of borrowings.

Net cash generated from/ (used in)	FY2021 (RM'000)	FY2020 (RM'000)	Change	
			(RM'000)	(%)
Operating activities	(10,737)	(84,520)		
Investing activities	(1,402)	172,599		
Financing activities	(1,401)	(53,768)		
Cash and cash equivalents	22,002	35,543	(13,541)	(-38%)

### Segment results and analysis

#### Plantation

The Plantation Segment continued to remain as the Group's core business segment, contributing close to 99% of the Group's revenue. The segment operates in Pahang and Sarawak with more than 15,000 ha of oil palm estates and a palm oil mill. It is also involved in the business of providing plantation development contract services.

For most of the year in 2021, CPO recorded higher price levels due to supply shortages which can be attributable to the shortage of workers in Malaysia, due to the pandemic and the MCOs, as well as the impacts of adverse weather conditions. These conditions, coupled with the global supply chain disruption in 2021 which has seen significant increases in supply and logistics costs across industries, have significantly raised operating costs, hampering the effectiveness of our Strategic Turnaround Plan.



## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (CONT'D)

### Segment results and analysis (Cont'd)

#### Plantation (Cont'd)

In FY2021, revenue from the Plantation Segment increased to RM217.2 million, from RM118.9 million in FY2020, due to higher sales volume and higher CPO and PK prices, as well as intensified harvesting plans scheduled in 2021. The higher maintenance and operating costs, such as costs of logistics, labour, and fertilisers, herbicides as well as the windfall profit levy by the government on palm oil, however, have put pressure on EBITDA. The Plantation Segment reported an EBITDA of RM26.6 million in FY2021. The Oil Extraction Rate (for CPO) and Kernel Extraction Rate (for PK) were lower in FY2021, at 19.90% and 4.24%, respectively, compared to 20.56% and 4.29% in FY2020, respectively.

The production indicators, quarterly average selling prices of CPO and PK, and other key indicators of the plantation operations during FY2021, compared to FY2020 are as follows:

Yield Performance	FFB Production (MT)	Yield Per Mature Hectare (MT)	FFB Processed (including outside purchases) (MT)	Production in MT		Selling Price (RM per MT)	
				CPO	PK	CPO	PK
<b>FY2021</b>	<b>81,871</b>	<b>4.90</b>	<b>210,411</b>	<b>41,869</b>	<b>8,913</b>	<b>4,053</b>	<b>2,533</b>
FY2020	114,751	7.37	164,352	33,789	7,052	2,718	1,497
FY2019	159,811	11.20	221,549	47,102	9,521	2,040	1,139
FY2018	180,023	13.57	321,912	66,615	14,424	2,257	1,706

Average Selling Price RM per MT	1 <sup>st</sup> Quarter		2 <sup>nd</sup> Quarter		3 <sup>rd</sup> Quarter		4 <sup>th</sup> Quarter	
	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020
CPO	3,559	2,690	3,933	2,272	4,099	2,670	4,529	3,095
PK	2,225	1,566	2,484	1,259	2,316	1,330	3,110	1,783

Extraction Rates (%)	FY2021	FY2020	FY2019	FY2018
	Oil Extraction Rate (for CPO)	<b>19.90</b>	20.56	21.26
Kernel Extraction Rate (for PK)	<b>4.24</b>	4.29	4.30	4.48

Shortage of labour and limited access to foreign labour will continue to be one of the key challenges for the Plantation Segment moving forward. The Malaysian government is expected to maintain policies aiming to reduce reliance on foreign labour in the country, and that will mean increasing manpower costs for labour-intensive industries like us. It is also unlikely that the supply chain challenges which is faced by the entire world will return to pre-pandemic levels in the short term, and it will continue to put pressure on the segment's operating margin. In response to these challenges, the Group continuously monitor and review its costing in search of optimisation of margin, cost-effectiveness in plantation maintenance activities such as fertilisation and weeding, as well as optimising operational efficiency, yield, oil extraction rate and mill utilisation.

## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (CONT'D)

### Segment results and analysis (Cont'd)

#### Plantation (Cont'd)

There were no new planting activities as approximately 1,133 ha of our trees mature, boosting mature oil palms to 16,697 ha which will support our production in the coming years. The maturity profile of planted areas is summarised as follows:

Profile of maturity	Hectares		Total
	Mature (4 years and beyond)	Immature (0-3 years)	
2021	16,697	394	17,091
2020	15,564	1,527	17,091
2019	14,269	2,568	16,837
2018	13,269	3,814	17,083

#### Property and Others

This segment mainly derives its revenue from rental income from commercial and industrial properties owned by the Group, including the Group's main building at Johor Tower. The overall rental market continued to face challenges in 2021 due to MCOs which lasted for months as well as uncertainty arising from the pandemic. Demand for commercial spaces remained weak resulting in low occupancy rate. The segment recorded RM2.2 million in revenue in FY2021, compared to RM3.0 million in FY2020. Overall, the segment reported an EBITDA loss of RM4.7 million in FY2021.

The key performance indicators of the division for the financial year are as follows:

	The Group's Properties with lettable area in square feet	Average rental rate (RM per square foot)
FY2021	348,620	0.66
FY2020	359,308	0.78
FY2019	116,272	2.00
FY2018	79,400	2.36
FY2017	88,021	2.23

### Risk Management and Key Measures Taken

The Board of Directors ("Board") and Management monitor and implement the Group's business strategies alongside consideration of key business risks affecting the Group in the short and long term. The risks considered include, but are not limited to, strategic, operational, and sustainability risks.

A systematic approach is adopted to identify, assess, manage, and monitor these risks in accordance with an established governance structure in which the Board is ultimately accountable for the adequacy and effectiveness of the Group's internal control and risk management system. The Board is assisted by the Audit Committee and the Enterprise Risk Management Committee responsible for spearheading risk management activities.

Overall, the plantation industry as well as many labour-intensive industries in Malaysia are expected to continue facing manpower issues arising from the Malaysian government's policies to reduce reliance on foreign labour, and this will continue to affect cost-effectiveness and productivity as local employees are less inclined to perform labour-intensive work. In addition, it remains to be seen if the supply chain disruption contributed largely by the COVID-19 pandemic will result in a permanent shift in global supply chain fundamentals.



## MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT (CONT'D)

### Risk Management and Key Measures Taken (Cont'd)

In response to these uncertainties, the Group intensified its monitoring and review of costing and operational margin to undertake swift and appropriate responses to any arising challenges. The Group's emphasis remained to focus on the rationalisation of operational cost, efficient deployment of manpower, and spurring productivity and enhancing the yield of crops and oil extraction rates.

### Dividend Policy

The Group does not have a policy on dividend pay-out. The Board does not recommend the payment of any dividend for the financial year ended 31 December 2021 in view of the Group's priorities to conserve funding for working capital and capital expenditure.

### Outlook and Prospects

Amidst uncertainties arising from new virus variants, the Malaysian economy recorded a GDP growth of 3.6% in the fourth quarter of 2021. Overall, the economy recorded a GDP growth of 3.1% in 2021 as the national immunisation plan has seen complete vaccination of 2-doses provided to a majority of the country's residents. While generally less severe, the country has seen a spike in COVID-19-positive cases in the first quarter of 2022, which continues to bring uncertainty to the pace of economic recovery. At the same time, uncertainties in the global supply chain are expected to persist, amidst other uncertainties such as geopolitical risk and increased frequency of extreme weather events. The Group continues to adopt a cautious approach in addressing these uncertainties in the global and domestic market environments while relentlessly pursuing operational excellence in our business.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors (“Board”) of Harn Len Corporation Bhd (“Harn Len” or the “Company”) is mindful of the importance of adopting holistic governance standards in the Company to safeguard the interest of its shareholders and other stakeholders as well as the assets of Harn Len and its subsidiaries (“Harn Len Group” or the “Group”). In applying corporate governance practices, the Board believes that such practices should address and reflect transparency, accountability, ethical culture, sustainability, and financial performance within the Group’s operations and activities.

Accordingly, the Board adopts a governance culture aimed at delivering a balance between conformance requirements with the need to deliver long-term strategic imperatives through performance, without compromising on personal or corporate ethics and integrity.

The Board is aware of the growing expectations from regulators and stakeholders for proper governance and, accordingly, has taken the necessary measures to embed a high level of governance throughout the Group with reference to the Malaysian Code on Corporate Governance (as at 28 April 2021) (“MCCG”).

This Statement, which is issued pursuant to Paragraph 15.25(1) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa”), provides an overview of the Company’s application of the Principles set out in the MCCG for the financial year under review and up to the date of this Statement. The details on how the Company has applied each Practice as set out in the MCCG are disclosed in the Corporate Governance Report, which is available for viewing on the Company’s website at [www.harnlen.com.my](http://www.harnlen.com.my).

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS

#### I. Board Responsibilities

The Board, which is collectively responsible to the Company’s shareholders and other stakeholders for the long-term success of the Group, is led by experienced and knowledgeable Directors who provide the Company with the core competencies and leadership necessary to realise the business objectives and strategic goals of the Group.

The Directors are aware of their responsibilities to take decisions objectively to promote the success of the Group and the value of stakeholders, including shareholders. The Board’s roles and responsibilities are formalised in the Board Charter which is available on the Company’s website at [www.harnlen.com.my](http://www.harnlen.com.my).

The Board Charter is periodically reviewed and updated in line with changes to regulatory requirements and other developments in corporate governance, such as revisions to the MCCG. It was last revised in 28 February 2022. The Board Charter delineates the roles and responsibilities of the Board, summarised as follows:

- reviewing and adopting a strategic plan for the Group to achieve its corporate goals;
- ensuring the strategic plan of the Company supports long-term value creation and includes strategies, priorities, targets on economic, environmental, and social considerations underpinning sustainability and continuity;
- reviewing and deciding on Management’s proposal for the Company, and monitor its implementation by Management;
- overseeing and evaluating the conduct of the Group’s business by reviewing the financial and other performance of the Group as well as Management;
- identifying principal business risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- promoting good governance culture which reinforces ethical, prudent, honesty, integrity, and professional conduct; and
- setting the risk appetite within which the Board expects Management to operate.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### I. Board Responsibilities (Cont'd)

The Board Charter is periodically reviewed and updated in line with changes to regulatory requirements and other developments in corporate governance, such as revisions to the MCCG. It was last revised in 28 February 2022. The Board Charter delineates the roles and responsibilities of the Board, summarised as follows: (cont'd)

- ensuring there is a sound framework for internal controls and risk management, including risk management framework to identify, manage, and monitor significant financial and non-financial risks;
- reviewing the adequacy and operating effectiveness of the Group's internal controls and risk management system;
- ensuring that senior management has the necessary skills and experiences, and there are measures in place to provide for the orderly succession of Board and Senior Management; and
- overseeing the Company's overall stakeholder engagement strategy including ensuring that the Company has in place procedures to enable effective communication with stakeholders.

The commitments, roles, and responsibilities of individual Directors, which are in line with the Companies Act 2016, as well as those of Independent Directors, are also clearly stipulated in the Board Charter.

To assist in discharging its stewardship role, the Board has conferred some of its authority and powers to its Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") (the "Board Committees"). Such powers are set out in the terms of reference of the Committees concerned to oversee specific aspects of the Company's affairs and to report to the Board their findings and recommendations. The decision whether to act on such recommendation lies with the Board. The specific terms of reference of each of the Committees are available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my).

The Board Committees' Terms of Reference are periodically reviewed by the respective Board Committee and recommended for approval by the Board. The Terms of Reference of the AC and the NC were recently reviewed by the respective Board Committees and the Board on 28 February 2022.

Puan Sri Datin Chan Pui Leorn, the Deputy Executive Chairman ("DEC"), who has been appointed to chair Board Meetings, is primarily responsible for leading the Board and, pursuant to the Board Charter, her responsibilities encompass the following:

- leading the Board in its responsibilities over the business and affairs of the Company and its oversight of Management;
- liaising with the Group Managing Director and the Company Secretary on the agenda for Board meetings and ensuring all relevant issues for the effective running of the Company's business are on the agenda;
- overseeing the Board in the effective discharge of its stewardship role;
- leading the efficient organisation and conduct of the Board's function and meetings;
- facilitating the effective contribution of all Directors and encouraging dissenting views to be freely expressed;
- briefing all Directors in relation to issues arising at meetings;
- ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole;
- promoting constructive and respectful relations amongst Board members and between the Board and Management; and
- ensuring periodic evaluation of the Board's performance.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### I. Board Responsibilities (Cont'd)

In carrying out her role, the DEC works with the Group Managing Director (“GMD”), manages the Board, and promotes effective relations with shareholders and other stakeholders of the Company.

The day-to-day management of the Group’s business development and operations, including implementation of policies and decisions of the Board, is helmed by the GMD, assisted by fellow Executive Directors. The GMD acts as a conduit between the Board and the Management in the effective management of the Company in accordance with the approved strategic plan.

The Board includes Independent Non-Executive Directors (“INEDs”) who are individuals of calibre, credibility, and are free from any business or other relationship which may materially interfere with their exercise of independent judgement to ensure fair and objective deliberations at meetings of the Board and Board Committees.

For transparency and accountability, the Board has established clear functions reserved for itself and those delegated to Management. Accordingly, there is a formal schedule of matters solely reserved to the Board for its deliberation and decision. Key matters reserved for the Board include the approval of annual budgets, quarterly and annual financial statements for announcement, investment, and divestiture, as well as monitoring the Group’s financial and operating performance. Such delineation of roles is clearly articulated in the Board Charter, which serves as a reference for Board activities.

In discharging its duties, the Board has full and unrestricted access to information pertaining to the Company and Directors are entitled to obtain independent professional advice at the cost of the Company. The Board also has full access to the Company Secretaries, who are qualified under the Companies Act 2016 to provide advisory services to the Board, covering corporate governance issues and compliance with the relevant policies and procedures, laws and regulatory requirements, in addition to administrative matters on meetings of the Board, Board Committees, and shareholders. Amongst others, the Company Secretaries facilitate timely circulation of sufficient and accurate information to Directors prior to meetings and ensure accurate meeting minutes are prepared, detailing the meeting deliberations and decisions.

#### Supporting Long-term Company Sustainability

In considering the Company’s long term value creation and strategy, the Board considers economic, environmental, and social matters underpinning the sustainability and continuity of the Company’s businesses. In this regard, the Board considered and adopted a process to enable effective governance of the Group’s sustainability management process. The Board is assisted by the Sustainability Committee (“SC”) which is a management-level committee comprising senior management from the respective business segments and functions. In the review or development of corporate strategy, the Board considers the works of the Sustainability Committee to ensure short- and long-term sustainability risks and opportunities have been incorporated and that appropriate strategies and priorities have been set to ensure long-term sustainability. The Sustainability Committee also recommends relevant sustainability policies, initiatives, and priorities of the Group for the Board’s consideration.

To enable common understanding and consistent efforts towards achieving the Group’s sustainability objectives, the Group engages with its internal stakeholders, i.e. employees, and external stakeholders to communicate relevant sustainability strategies, priorities, and targets. The stakeholder engagement approach and channels, as well as the engagement focus areas, are disclosed in the **Sustainability Report** contained in this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### I. Board Responsibilities (Cont'd)

##### Promoting Ethical Corporate Culture

The Company has formalised a Code of Ethics and Conduct for its Directors and employees which sets the acceptable ethical standards for the Group, including dealing with conflict of interest situations, safeguarding Group information and assets, anti-money laundering, prohibition against corruption and unethical practices, and setting out guidelines for situations where gifts, meals, and entertainment may be provided or received. The Code of Ethics and Conduct is available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my). The Group has also established a set of Code of Ethics of the Directors which is applicable to all directors of the Group, including the Company's subsidiaries, to ensure a high standard of corporate governance is practised consistently across the Group.

The Board has approved a Group's Anti-Bribery and Corruption ("ABC") Policy which sets out the Group's zero-tolerance policy against all forms of bribery and corruption, in line with the Malaysian Anti-Corruption Commission ("MACC") Act 2009, and guided by the Guidelines on Adequate Procedures Pursuant to Subsection (5) of Section 17A under the MACC Act 2009. The ABC Policy prohibits corruption and bribery activities by all the Group's personnel, business associates, and requires violations to be reported to the Group. The ABC Policy is periodically reviewed and is available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my).

The Board also has established whistleblowing policies and procedures for employees and other stakeholders to raise concerns in good faith, without fear of reprisal, about actual or suspected financial misreporting, breaches of regulatory requirements, malpractices, and unethical business conduct within the Group. These policies and procedures are formalised via the Whistleblowing Policy, is periodically reviewed and is available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my). The AC has authority over the effectiveness of the Whistleblowing Policy, providing strong objectivity and independence to the process. The Whistleblowing Policy was last revised by the Board on 19 April 2022.

##### Continuous Professional Development

In order to enable sustained effective functioning of the Board, Directors are expected to continuously update themselves and enhance their skills via continuing education programme. Directors are updated periodically by way of circulars on matters relating to changes to the Listing Requirements of Bursa and are briefed by the Company Secretaries at Board Meetings, including their implications to the Directors. Through the activities of the NC, including the annual assessment of the Board, Board Committees, and individual Directors and the training needs assessments which follows the annual assessment, the Board also identifies areas in which the Board and the individual Directors are required to undergo training. Areas considered include, amongst others, sustainability topics relevant to the Company and its businesses, financial and accounting including financial reporting standards, corporate governance including latest regulatory changes, and relevant laws and regulations.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### I. Board Responsibilities (Cont'd)

##### Continuous Professional Development (Cont'd)

Details of training and briefings attended by Directors during the financial year under review are as follows:

No.	Topics of training and organisers	Date	Attended by
1	The Updated Malaysian Code on Corporate Governance 2021  <ul style="list-style-type: none"> <li>Unpacking the Updates &amp; their implications to the Directors, Management, Company Secretaries &amp; Auditors of the Company</li> </ul>	17.8.2021	Puan Sri Datin Chan Pui Leorn Low Quek Kiong Low Kueck Shin Low Kwek Lee Low Kuek Kong Low Kok Yong Low Kok Yaow Law Piang Woon Mohamed Akwal Bin Sultan Mohamad Loh Wann Yuan Brig. Jen. (B) Dato' Ali Bin Hj. Musa
2	Seminar on Corporate Directors Training Programme Fundamental 3.0 by Suruhanjaya Syarikat Malaysia	8.4.2021	
3	Seminar on Company Secretaries Training Programme Essential 1.0 (Part C) by Suruhanjaya Syarikat Malaysia	10.6.2021	Low Kueck Shin
4	MAISCA Webinar series: Identifying areas of risks and minimising the liabilities of company secretaries	28.10.2021	
5	MIA Virtual Conference Series: Capital Market Conference 2021	17.6.2021	Puan Sri Datin Chan Pui Leorn Low Kok Yong

Note:

Mr Chan Chong Wey has attended the Mandatory Accreditation Programme by the Institute of Corporate Directors Malaysia on 15-17 February 2022.





## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### I. Board Responsibilities (Cont'd)

##### Meetings of the Board and Board Committees

During the financial year, the Board convened eight (8) meetings whilst the AC, NC, RC and Employees' Share Scheme Committee held six (6), three (3), one (1) and one (1) meeting respectively. The attendance of the members at the said meetings is set out below:

	Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee	Employees' Share Scheme Committee
1	Puan Sri Datin Chan Pui Leorn	8/8	NA	NA	NA	NA
2	Mr. Low Quek Kiong	8/8	NA	NA	NA	1/1
3	Mr. Low Kueck Shin	8/8	NA	NA	NA	NA
4	Mr. Low Kwek Lee	8/8	NA	NA	NA	NA
5	Mr. Low Kuek Kong	8/8	NA	NA	NA	NA
6	Mr. Low Kok Yong	8/8	NA	NA	NA	NA
7	Mr. Low Kok Yaow	8/8	NA	NA	NA	NA
8	Mr. Loh Wann Yuan <i>Resigned from the Board on 29 September 2021</i>	5/5	4/4	1/1	1/1	NA
9	Brig. Jen. (B) Dato' Ali Bin Hj. Musa	7/8	5/6	3/3	1/1	NA
10	Mr. Law Piang Woon	8/8	6/6	3/3	NA	1/1
11	En. Mohamed Akwal Bin Sultan Mohamad	8/8	6/6	3/3	1/1	NA
12	Mr. Chan Chong Wey <i>Appointed to the Board on 12 November 2021</i>	2/2	2/2	NA	NA	NA

Note:

\* NA – Not Applicable

\*\* The Chairmen of the Board Committees are:

- Audit Committee –
  - o Loh Wann Yuan (up to 29 September 2021);
  - o Mr. Chan Chong Wey (from 30 November 2021 onwards);
- Nominating Committee –
  - o Loh Wann Yuan (up to 29 September 2021);
  - o En. Mohamed Akwal bin Sultan Mohamad (from 6 April 2022 onwards);
- Remuneration Committee - En. Mohamed Akwal bin Sultan Mohamad; and
- Employees' Share Scheme Committee - Mr. Low Quek Kiong.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### II. Board Composition

The Board currently consists of eleven (11) members, comprising seven (7) Executive Directors (“EDs”) and four (4) INEDs. This composition complies with the Listing Requirements of Bursa, which stipulate that at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, must be independent. The INEDs provide the necessary checks and balances in Board’s deliberation by bringing an independent assessment of the Board’s decisions and decision-making process. In the event the composition of independent directors fall below two (2) or less than one-third (1/3), the vacancy will be filled within three (3) months.

The EDs are complemented by the experience and independent views of the INEDs who have professional background or experience in the fields of banking, public sector administration, finance, accounting, tax and legal. The EDs possess a fair range of business and industry experience in plantation and oil mill management, transportation and logistics, administration, and economics. The mix of skills and experience is synergistic and vital in directing and supervising the Group’s overall business activities amid the increasingly challenging business environment in which the Group operates. The Board also has a female director, i.e. the Deputy Executive Chairman, amongst its members, in addition to a combination of diverse cultural backgrounds, age, and experience. The profile of each Director is set out on pages 15 to 20 of the Company’s Annual Report 2021.

#### III. Nominating

The Board has established a Nominating Committee (“NC”) comprising three (3) members, all of whom are INEDs. The NC is entrusted to assess the adequacy and appropriateness of Board composition, identifying and recommending suitable candidates for Board membership and also to assess annually the performance of the Directors and Board diversity, including gender, age, and ethnicity diversity, training courses for Directors, and other qualities of the Board, including core-competencies which the INEDs should bring to the Board. Amongst others, the NC considers the individual’s tenure, character, skills, experience, competence, integrity, and time commitment to Board activities when assessing the suitability and performance of a Director. The assessment process ensures that the Board composition fairly reflects the Company’s long-term strategic direction and needs, including the skills mix for its purpose. As of the date of this Statement, the NC is in the midst of developing a set of fit and proper criteria for the appointment and re-election of directors of the Company and its subsidiaries, in line with the latest amendment to the Listing Requirements that require a fit and proper policy for directors to be published on the corporate website from 1 July 2022 onwards.

The NC oversees the annual assessment of the Board, Board Committee, and individual Directors, the outcome of which shall serve as the basis for the recommendation for re-election or re-appointment of Directors. Based on the annual assessment conducted for the financial year under review, the NC was satisfied with the existing Board composition and concluded that each Director has the requisite competence and capability to serve on the Board and had sufficiently demonstrated their commitment to the Company in terms of time and participation, and recommended to the Board for the re-election of retiring Directors, i.e. Puan Sri Datin Chan Pui Leorn, Low Kuek Kong, and Brig. Jen. (B) Dato’ Ali Bin Hj. Musa at the Company’s forthcoming Annual General Meeting (“AGM”). Considering the satisfactory performance of the said Directors, the Board concurred with the NC’s recommendation.

During the financial year under review, the Board has also appointed Mr. Chan Chong Wey who will hold office until the upcoming AGM, during which he will submit himself for election. Through the NC, the Board assessed Mr. Chan considering his character, skills, experience, competence, integrity, and ability to commit and recommends his election for shareholders’ approval in the upcoming AGM.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### III. Nominating (Cont'd)

At the end of the financial year under review, the Board has two (2) INEDs, who have individually served for more than nine (9) years as Independent Directors. The Board has assessed, via the NC, their independence and contribution to the Company and, accordingly, recommended them for shareholders' approval to continue to serve as INEDs for the ensuing year. Apart from being satisfied that they fulfilled the criteria for Independent Director under the Listing Requirements of Bursa, the Board believes the following justifications are sufficient for it to recommend their extension as INEDs to be voted on a single-tier basis as opposed to the 2-tier voting process promulgated by Practice 5.3 of the MCCG, at the forthcoming AGM of the Company:

- They have demonstrated their commitment to the Company by attending all the meetings of the Board and Board Committees of which they are members;
- They bring with them vast experience and expertise to complement the competencies of the other Directors to enhance boardroom discussions and decisions;
- They have individually been with the Company for more than nine (9) years and, accordingly, are familiar with the nuances and understanding of the Group's business operations and its challenges; and
- They have exercised due care and diligence during their tenure as INEDs and have carried out their duties professionally and objectively in the interest of the Company and shareholders.

The NC has also conducted an assessment on the independence of INEDs based on the criteria for Director's independence as adopted by the Board. Following the NC's recommendation, the Board is of the opinion that the independence of existing INEDs remains unimpaired and their judgement over business dealings of the Company has not been influenced by the interest of other Directors or substantial shareholders.

With respect to the latest amendment to the Listing Requirements dated 19 January 2022 that puts a limit of 12 years on the tenure of INEDs effective from 1 June 2023, the Board and the NC take cognisance of the requirement and are taking steps to source and assess suitable candidates for independent directors in compliance with the Listing Requirements.

The Board believes in the benefits of diversity at the Board, as well as the principles of equality and non-discrimination. The Group has a Diversity Policy which aims to promote diversity while upholding equality in employment and not discriminating on the basis of gender, race, cultural background, age, religion or belief, and marital status. When performing its role in assessing Board composition and diversity, the NC is also required to apply the principles of the Group's Diversity Policy. Evaluation of candidates, Directors, and Senior Management is based on their competency, character, time availability, integrity and experience in meeting the Company's needs. The Board advocates fair and equal participation and opportunity for all individuals of the right calibre. The Board encourages women's participation, especially in leadership roles, and the Board is committed to upholding its merits system and principles of non-discrimination and equal opportunity at all levels, in its recruitment, assessment, promotion (for Senior Management levels), and remuneration processes. The Board and the NC are also aware of the latest amendment to the Listing Requirements on 19 January 2022 that requires at least 1 women director on the Board effective from 1 June 2023. The Board currently fulfils this requirement.

A summary of key activities undertaken by the NC during the financial year in discharging its duties is set out below:

- reviewed the skill set of the Board to ensure it has an appropriate mix of expertise and experience on a collective basis;
- considered the Board composition in terms of the average age of the Directors, gender-mix, and ethnic diversity;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### III. Nominating (Cont'd)

A summary of key activities undertaken by the NC during the financial year in discharging its duties is set out below: (cont'd)

- succession planning for Management;
- reviewed and assessed the independence of INEDs;
- reviewed and recommended the re-election of Directors who are due for re-appointment and retirement by rotation, including deliberation on INEDs whose tenure has individually exceeded 9 years and which would require their continuance as INEDs to be voted at the forthcoming AGM;
- assessed the effectiveness of the Board as a whole, the Board Committees, and the contribution of each individual Director;
- considered the training undertaken by Directors, including recommending to the Board the list of topics for the training programme for Directors during the financial year; and
- reviewed the activities of the AC and its members against the AC's terms of reference and was satisfied that the AC and each of its members have discharged its duties and responsibilities accordingly.

#### IV. Remuneration

The Board has established a Remuneration Committee ("RC") comprising two (2) members, all of whom are INEDs. The RC is entrusted by the Board to implement the policies and procedures on matters relating to, and making recommendations on, the remuneration of Directors for the Board's approval. Such policies and procedures are developed in alignment with the Company's business strategy and long-term objectives and are formalised in the Policy and Procedures on Remuneration of Directors and Senior Management. The Policy and Procedures on Remuneration of Directors and Senior Management was approved by the Board on 28 February 2022 and is available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my).

The EDs and Senior Management are paid salaries, allowances, bonuses and other customary benefits as appropriate. The remuneration is set based on relevant market relativities, the performance of the Group and individuals, qualifications and experience. The remuneration for Senior Management is decided by the GMD while the RC reviews and assess the remuneration of all EDs, including the GMD.

The remuneration of INEDs comprises fees and other allowances. The Board ensures that the remuneration for INEDs does not conflict with their obligation to bring objectivity and independent judgement on matters discussed at Board meetings.

The respective Directors abstained from deliberation and voting on their own remuneration at Board Meetings.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### IV. Remuneration (Cont'd)

Details of Directors' remuneration for the financial year ended 31 December 2021 in respect of the Group and Company, including the breakdown of remuneration in terms of fees, salaries, benefits-in-kinds and others of individual Directors on a named basis, are set out below:

#### 1) REMUNERATION OF DIRECTORS RECEIVED OR RECEIVABLE FROM THE COMPANY

Name of Director	Salaries & EPF (RM)	Fees (RM)	Allowances (RM)	Benefits in kind (RM)	ESOS (RM)	Total (RM)
Puan Sri Datin Chan Pui Leorn	880,800	-	60,000	51,552	-	992,352
Mr. Low Quek Kiong	806,400	-	-	22,704	-	829,104
Mr. Low Kueck Shin	806,400	-	-	22,704	-	829,104
Mr. Low Kwek Lee	497,280	-	-	23,952	-	521,232
Mr. Low Kuek Kong	497,280	-	1,000	23,952	-	522,232
Mr. Low Kok Yong	631,680	-	-	23,952	6,000	661,632
Mr. Low Kok Yaow	497,280	-	1,000	23,952	10,000	532,232
Mr. Loh Wann Yuan <i>(Resigned from the Board on 29.9.2021)</i>	-	37,500	37,500	-	-	75,000
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	50,000	43,000	-	-	93,000
Mr. Law Piang Woon	-	50,000	38,000	-	-	88,000
En. Mohamed Akwal Bin Sultan Mohamed	-	50,000	47,000	-	-	97,000
Mr. Chan Chong Wey <i>(Appointed to the Board on 12.11.2021)</i>	-	8,333	7,166	-	-	15,499
<b>Total</b>	<b>4,617,120</b>	<b>195,833</b>	<b>234,666</b>	<b>192,768</b>	<b>16,000</b>	<b>5,256,387</b>



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE A – BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

#### IV. Remuneration (Cont'd)

Details of Directors' remuneration for the financial year ended 31 December 2021 in respect of the Group and Company, including the breakdown of remuneration in terms of fees, salaries, benefits-in-kinds and others of individual Directors on a named basis, are set out below: (cont'd)

#### 2) REMUNERATION OF DIRECTORS RECEIVED OR RECEIVABLE FROM THE GROUP

Name of Director	Salaries & EPF (RM)	Fees (RM)	Allowances (RM)	Benefits in kind (RM)	ESOS (RM)	Total (RM)
Puan Sri Datin Chan Pui Leorn	880,800	3,600	60,000	51,552	-	995,952
Mr. Low Quek Kiong	912,488	-	-	22,704	-	935,192
Mr. Low Kueck Shin	912,488	-	-	22,704	-	935,192
Mr. Low Kwek Lee	497,280	-	-	23,952	-	521,232
Mr. Low Kuek Kong	577,920	-	1,000	23,952	-	602,872
Mr. Low Kok Yong	631,680	-	-	23,952	6,000	661,632
Mr. Low Kok Yaow	497,280	-	1,000	23,952	10,000	532,232
Mr. Loh Wann Yuan (Resigned from the Board on 29.9.2021)	-	37,500	37,500	-	-	75,000
Brig. Jen. (B) Dato' Ali Bin Hj. Musa	-	50,000	43,000	-	-	93,000
Mr. Law Piang Woon	-	50,000	38,000	-	-	88,000
En. Mohamed Akwal Bin Sultan Mohamed	-	50,000	47,000	-	-	97,000
Mr. Chan Chong Wey (Appointed to the Board on 12.11.2021)	-	8,333	7,166	-	-	15,499
<b>Total</b>	<b>4,909,936</b>	<b>199,433</b>	<b>234,666</b>	<b>192,768</b>	<b>16,000</b>	<b>5,552,803</b>

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT

#### I. Audit Committee ("AC")

To assist in the discharge of its duties on financial reporting, the Board established an Audit Committee, comprising four (4) members, all of whom are INEDs. One of the key responsibilities of the AC in its terms of reference on financial reporting oversight is to ensure that the audited financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016 and that the quarterly financial report adheres to the Listing Requirements of Bursa. The AC has adopted a policy for the types of non-audit services permitted to be provided by the external auditors and/or their affiliates to ensure the external auditors' professional independence is not compromised by the nature of work they conduct for the Group. Moreover, the AC has formalised a policy that requires a former partner to observe a cooling-off period of at least three (3) years if ever such a person is considered for on-boarding to be its member.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE B – EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

#### I. Audit Committee (“AC”) (Cont’d)

The AC is also tasked to review, through the internal audit function and the Enterprise Risk Management Committee, the adequacy and integrity of the Group’s risk management and internal control system.

The AC composition, including its roles and responsibilities as well as a summary of its activities carried out during the financial year, are set out in the Audit Committee Report on pages 64 of this Annual Report 2021.

#### II. Risk Management and Internal Control Framework

The Board is primarily responsible for maintaining a sound system of risk management and internal control which provides reasonable assurance that the Group’s business operations are conducted in an orderly manner and in compliance with applicable laws and regulations as well as internal procedures and guidelines with a view of safeguarding the Group’s assets.

The AC assists the Board in reviewing the adequacy and operating effectiveness of such a system and does so via the deployment of an independent outsourced internal audit function that conducts internal audit based on an internal audit plan approved by the AC. Internal audit findings, including the corrective actions agreed by Management, are reported directly to the AC. For more details of the internal audit function, refer to the **Statement on Risk Management and Internal Control** which is included on pages 68 of this Annual Report 2021. The Board oversees the risk management framework and policies with the assistance of the Enterprise Risk Management Committee (“ERM Committee”), comprising an INED, 2 EDs and a few members of Management. Management of the respective business units is tasked to manage business risks, including developing, implementing, and monitoring mitigating measures to manage such risks to acceptable levels before reporting to the ERM Committee.

Details of the Group’s Risk Management framework, activities carried out for the financial year under review and reporting processes are set out in the **Statement on Risk Management and Internal Control** included in this Annual Report.

### PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

#### I. Directors’ Responsibility for Preparing the Annual Audited Financial Statements

The Directors are required by the Companies Act 2016 to prepare financial statements for each financial year which give a true and fair view of Harn Len Group and of the Company’s state of affairs, results, and cash flows. The Directors are of the opinion that Harn Len Group uses appropriate accounting policies that are consistently applied and duly supported by reasonable as well as prudent judgements and estimates, and that the financial statements have been prepared in accordance with Financial Reporting Standards and the provisions of the Companies Act 2016 and the Listing Requirements of Bursa.

#### II. Communication With Stakeholders

To ensure transparency and accountability to its shareholders and other stakeholders, the Board believes that continuous communication by the Company with these stakeholders facilitates mutual understanding of each other’s objectives and expectations. The Board takes responsibility for overseeing the Company’s overall stakeholder engagement. Management formulates appropriate communication approaches and channels through which the Group can effectively engage with internal and external stakeholders, including shareholders and investors, employees, customers, business partners, and others. Through these channels, relevant information such as financial information and performance, policies of the Group, sustainability information including environmental and social matters, are communicated to stakeholders.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

### PRINCIPLE C - INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

#### II. Communication With Stakeholders (Cont'd)

The Board also ensures the supply of clear, comprehensive, and timely information to stakeholders via various disclosures and announcements, including quarterly and annual financial results, which provide investors with up-to-date financial information about the Group. All these announcements and other information about the Company are available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my). In addition, the Directors also ensure that engagement with shareholders occurs at least once a year during the AGM to better understand their needs and obtain their feedback.

#### III. Conduct of General Meetings

The AGM and Extraordinary General Meeting are the principal forums for shareholder dialogue, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. The chairman of general meetings is responsible for ensuring that the general meeting supports meaningful engagement between the Board, Senior Management, and shareholders. General meetings are an avenue for discussion on company strategies, as well as financial and non-financial information. To support meaningful engagement, general meetings held online (whether fully online or hybrid) will also aim to enable shareholders to engage at a level similar to participating in a physical general meeting. When considering the use of technology and online facilities to aid the effectiveness of general meetings, the Group takes into consideration the relevant cybersecurity risks as well as infrastructure capabilities.

At the most recent general meeting, the 21<sup>st</sup> AGM, which was held online on 28 September 2021, all Directors were present to engage with and were accountable to the shareholders for their stewardship of the Company. During the AGM, shareholders participated in deliberating resolutions being proposed or on the Group's operations in general. The Directors and Senior Management appropriately responded to all questions raised and provided clarification as required by the shareholders. The Group has also published the AGM minutes on the corporate website within 30 business days.

This Statement is dated 19 April 2022.



## SUSTAINABILITY REPORT

### ABOUT THIS STATEMENT

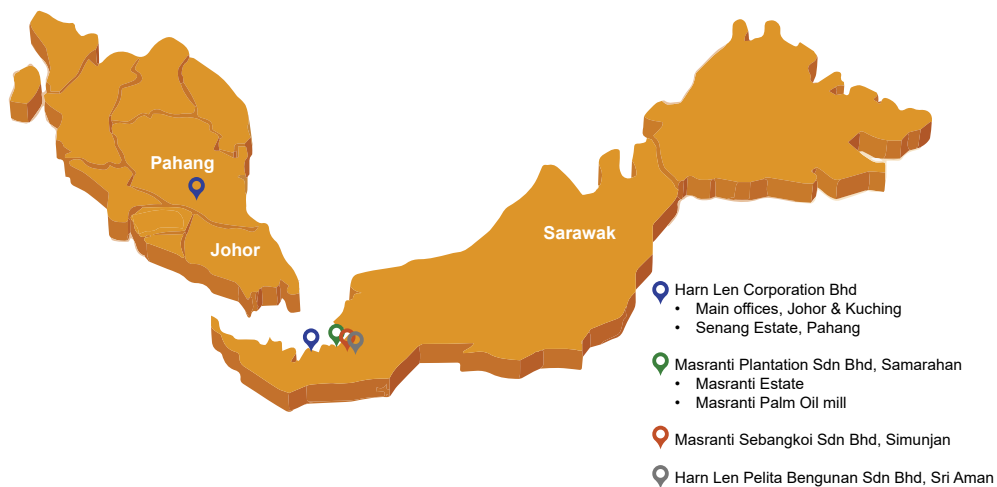
Harn Len Corporation Bhd (hereby known as “Harn Len” or the “Group”) is proud to present its sixth Sustainability Statement to its valued stakeholders. The report covers the financial year ended 31 December 2021 (FY2021) and it addresses matters that are most material to our stakeholders and business operations. It also provides insights into our management and performance of Environmental, Social and Governance (ESG) elements.

2021 has been a challenging year due to the continuing fight against COVID-19. Our operations were greatly affected by the nationwide Movement Control Order (MCO). The reduced demand for palm oil is compounded by supply chain disruptions, increased operational costs and labour shortages on plantation grounds.

As we gear towards recovery and easing of movement restrictions, we will continue to monitor and review our sustainability management process to navigate paradigm shifts as well as retain the trust of our stakeholders.

### Reporting Boundary & Scope

This Statement provides an overview of the Group’s operations which comprise our core business activities and major sources of revenue. The entities covered in this Statement span across west and east Malaysia and includes the Group’s main offices, oil palm plantations and palm oil mill within the states of Pahang, Johor and Sarawak.



### Reporting Framework

To provide a balanced, comparable and meaningful statement, we adhere to the Main Market Listing Requirements of Bursa Malaysia and the Sustainability Reporting Guide (2nd Edition) (2018). The format and contents of our ESG disclosures are based on the requirements of the Global Reporting Initiatives (GRI) Standards (Core Option). To showcase our commitment towards the global sustainability agenda, we have aligned our initiatives in accordance with the aspirations of the United Nations Sustainability Development Goals (SDGs).



## SUSTAINABILITY REPORT (CONT'D)

### Reporting Principles

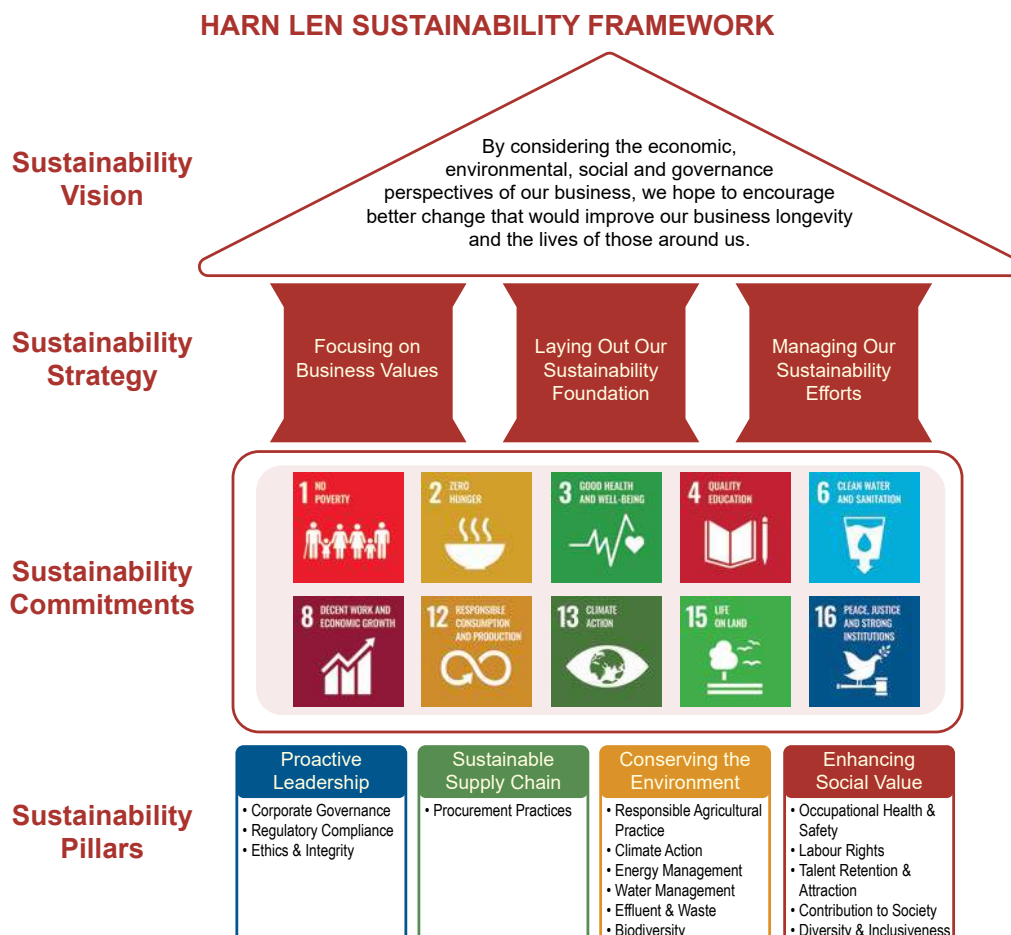
The reporting principles covered in this statement include:



### EMBEDDING ESG WITHIN THE GROUP

#### Our ESG Framework

Since the release of our inaugural Sustainability Statement in FY2015, we remain committed in our efforts to incorporate the principles of ESG across our Group. Our drive towards sustainable development is encapsulated in the following framework:



## SUSTAINABILITY REPORT (CONT'D)

### Our Global Agenda

The launch of the Twelfth Malaysia Plan, 2021 – 2025 (the Twelfth Plan) in September 2021 has set a new course for the nation to achieve a prosperous, inclusive and sustainable society. Set upon three (3) overarching themes namely, (1) Resetting the Economy, (2) Strengthening Security, Wellbeing and Inclusivity, and (3) Advancing Sustainability, the Twelfth Plan is aligned with the 17 United Nations Sustainable Development Goals (UN SDGs) out of which we have adapted 10 that are most relevant to our business.

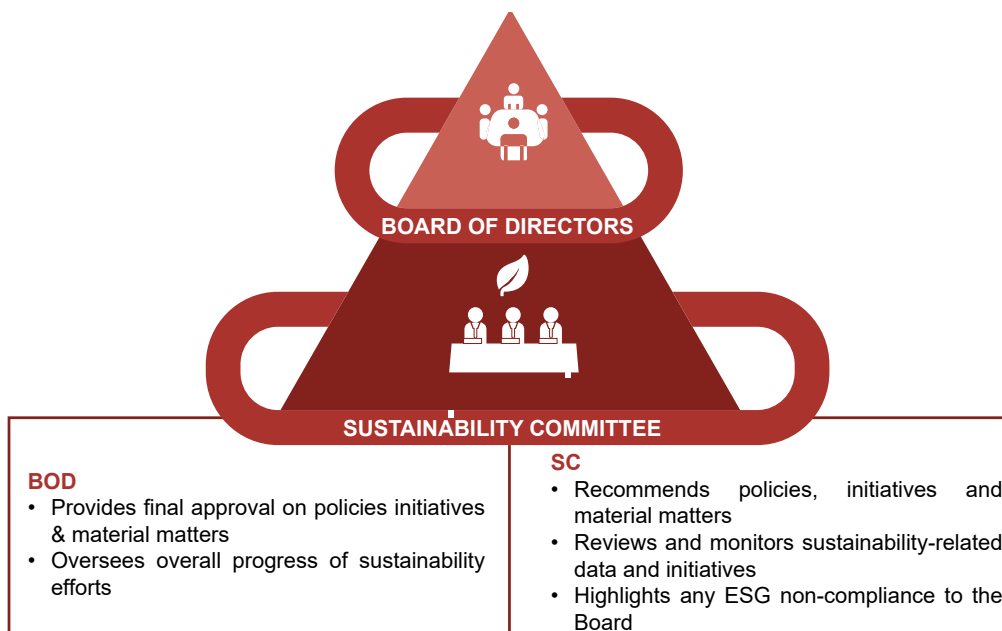
The Group commits to contribute to the realisation of the global and national ambitions in sustainable development.

<b>Goal 1: No Poverty</b>  100% sourcing of goods and services from local businesses	<b>Goal 2: Zero Hunger</b>  Provision of food baskets to underprivileged communities	<b>Goal 3: Good Health &amp; Well being</b>  Updated COVID-19 procedure in the workplace	<b>Goal 4: Quality Education</b>  Online and site training programme for all staff members
<b>Goal 6: Clean Water &amp; Sanitation</b>  Clean water supply in he labour quarters	<b>Goal 8: Decent Work &amp; Economic Growth</b>  Safeguarding the rights of workers according to international standards	<b>Goal 12: Responsible Consumption &amp; Production</b>  Recycling of empty fruit bunches as fertilisers for new production	<b>Goal 13: Climate Action</b>  Zero Burning Policy to reduce carbon emissions from estates
<b>Goal 15: Life on Land</b>  Establishment of riparian buffer zones to protect wildlife habitats		<b>Goal 16: Peace, Justice &amp; Strong Institutions</b>  Conflict of Interest Policies and Procedures	

### Our Governance Structure

The two-tiered dedicated sustainability governance structure that we have established ensures that we implement our ESG strategy across operations, manage goal-setting and reporting processes including data collection. At the apex is the Board of Directors (BOD or the Board) that has general oversight of the Group's sustainability strategy and performance. Setting the tone at the top permeates the entire Group; thus, the Board exercises oversight and approves, with finality, all sustainability-related activities.

Managing sustainability at the operational level is the Sustainability Committee (SC) that is led by the Chairman who reports to the BOD on the activities of the SC and ensures progress towards the Group's sustainability goals.






## SUSTAINABILITY REPORT (CONT'D)

### Our Stakeholder Engagement

Our stakeholders are defined as individuals or groups who are integral to the Group and whose vested interest influence and impact our business operations. At Harn Len, we believe in developing strong and meaningful relationships with our stakeholders using multiple communication platforms. Understanding our stakeholders enables us to respond to their interests and needs effectively.

During the reporting year, amidst operating in the “new normal”, we conducted frequent engagement sessions to ensure that we remain cognisant of their concerns and through their feedback we were able to identify areas of improvement.






Stakeholder Groups	Areas of Interest	Harn Len's Response
 <p><b>Investors</b></p> <p>We build investor trust and confidence through our emphasis on corporate governance and transparency.</p>	<ul style="list-style-type: none"> <li>Sustainability and maximisation of shareholder value</li> <li>Financial performance and business strategy</li> </ul>	<ul style="list-style-type: none"> <li>Hold regular engagement sessions with investors to announce our financial performance through the Annual General Meeting and publishing of the Annual Report</li> <li>Facilitate continuous engagement, provide information and platform for constructive feedback via the Investor Relations section of our company website</li> </ul>
 <p><b>Employees</b></p> <p>The welfare and competencies of our employees are critical to human capital development to ensure that our business performance meets our stakeholders' expectations.</p>	<ul style="list-style-type: none"> <li>Workers' rights</li> <li>Grievance resolution</li> <li>Performance management</li> <li>Training and Development</li> <li>Industrial harmony</li> <li>Equitable remuneration</li> <li>Safety, health and environmental concerns</li> </ul>	<ul style="list-style-type: none"> <li>Organise monthly management meetings to discuss employee grievances</li> <li>Maintain transparency by circulating important decisions via internal memo</li> <li>Hold quarterly Sustainability Committee meetings to discuss ESG-related matters</li> <li>Conduct annual performance appraisal with all employees and provide relevant training to close performance gaps</li> <li>Review all processes pertaining to health, safety, and environmental matters every quarter to safeguard employee wellbeing</li> </ul>
 <p><b>Customers</b></p> <p>Delivering quality palm oil to our customers is the basis for generating financial capital.</p>	<ul style="list-style-type: none"> <li>Sustainable supply chain with relevant certifications</li> <li>Efficient complaints resolution</li> <li>Customer-company relationship</li> <li>Safety and security</li> </ul>	<ul style="list-style-type: none"> <li>Meet with customers regularly to review and address their complaints to their satisfaction</li> <li>Organise ad-hoc community and networking events to bolster customer relations</li> </ul>



## SUSTAINABILITY REPORT (CONT'D)

### Our Stakeholder Engagement (Cont'd)

Stakeholder Groups	Areas of Interest	Harn Len's Response
 <p><b>Regulatory Authorities and Statutory Bodies</b></p> <p>We cooperate with key government agencies to ensure compliance with all existing laws and regulations that are relevant to our sector, and to uphold industry standards for labour, health &amp; safety and environmental protection.</p>	<ul style="list-style-type: none"> <li>• COVID-19 standard operating procedures</li> <li>• Code of ethics and governance</li> <li>• Labour practices</li> <li>• Occupational safety and health</li> <li>• Environmental management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Communicate directly with government officials via email and telephone conversations to clarify regulatory issues as and when the need arises</li> <li>• Cooperate with local authorities during annual and ad-hoc inspections</li> <li>• Ensure that managers meet with local regulators to discuss major compliance issues, if any</li> <li>• Ensure compliance with audit processes</li> </ul>
 <p><b>Suppliers</b></p> <p>We collaborate with supply chain partners to ensure they operate in line with Harn Len's expectations.</p>	<ul style="list-style-type: none"> <li>• Transparent procurement practices</li> <li>• Service and delivery standards</li> <li>• Fair contractual terms</li> </ul>	<ul style="list-style-type: none"> <li>• Hold periodic one-on-one meetings with supplier representative to discuss sustainability commitments</li> <li>• Conduct annual review to evaluate vendor performance with respect to contractual terms and procurement practices</li> <li>• Ensure all new vendors are duly registered before engaging them</li> <li>• Negotiate fair contractual terms and conditions and ensure continuous monitoring and review thereof</li> </ul>
 <p><b>Local Communities</b></p> <p>We engage with local residents to create a positive impact in the communities we operate in.</p>	<ul style="list-style-type: none"> <li>• Biodiversity and conservation</li> <li>• Social issues</li> <li>• Transparency and accountability to the community</li> <li>• Environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct focus group discussions with residents to make informed decisions about business operations</li> <li>• Invite community members to selected festival celebrations</li> <li>• Organise Corporate Social Responsibilities (CSR) activities to promote engagement between Harn Len and local communities</li> </ul>

## SUSTAINABILITY REPORT (CONT'D)

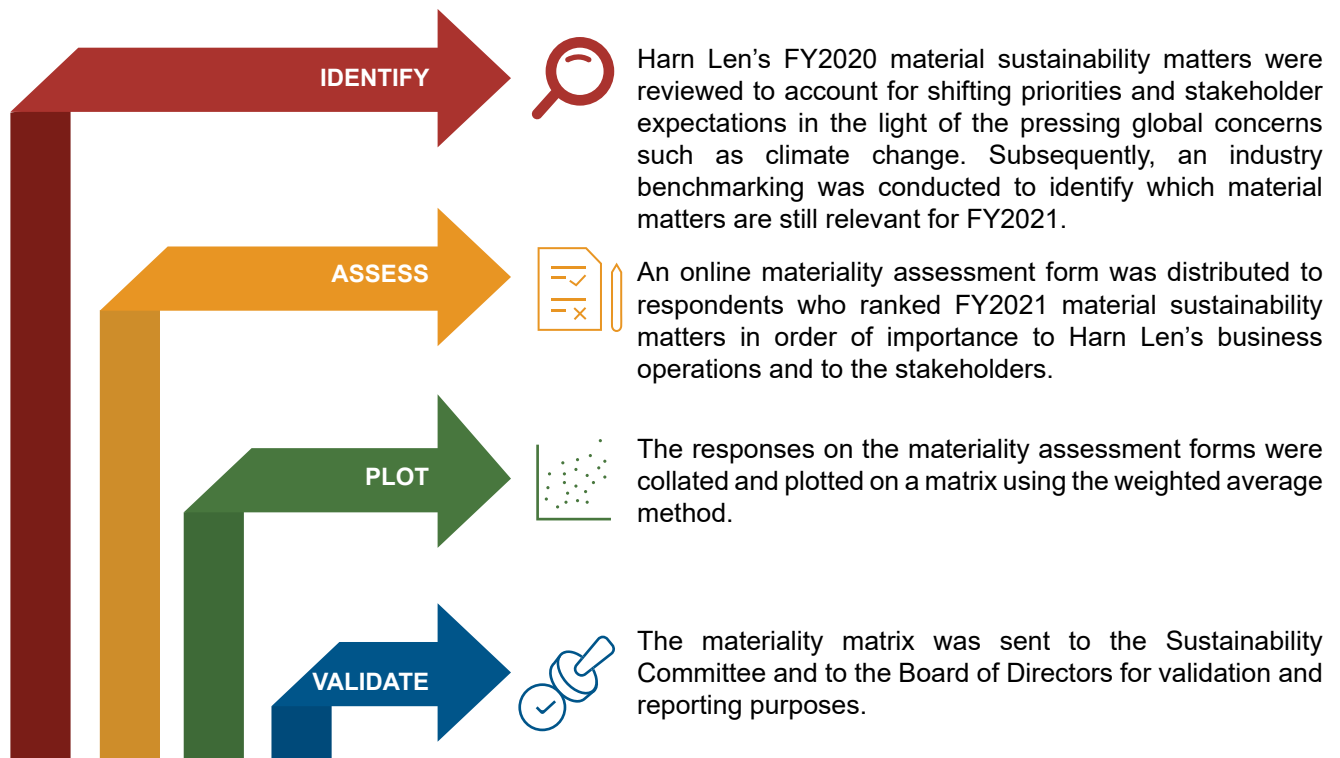
### PRIORITISING OUR MATERIAL SUSTAINABILITY MATTERS

#### Materiality Assessment

Materiality assessment is the vital starting point of ESG reporting. In light of the ongoing COVID-19 pandemic, and anticipating a shift in the ESG priorities of our stakeholders, we conducted a re-assessment of our material sustainability matters this year.

Following the Materiality Assessment Process described below, we made substantial changes under the Environment pillar (Conserving the Environment) to include topics that are of global significance and are also important in the palm oil industry, namely Biodiversity and Climate Action; topics of Human Animal Conflict and Air Quality.

#### HARN LEN'S MATERIALITY ASSESSMENT PROCESS



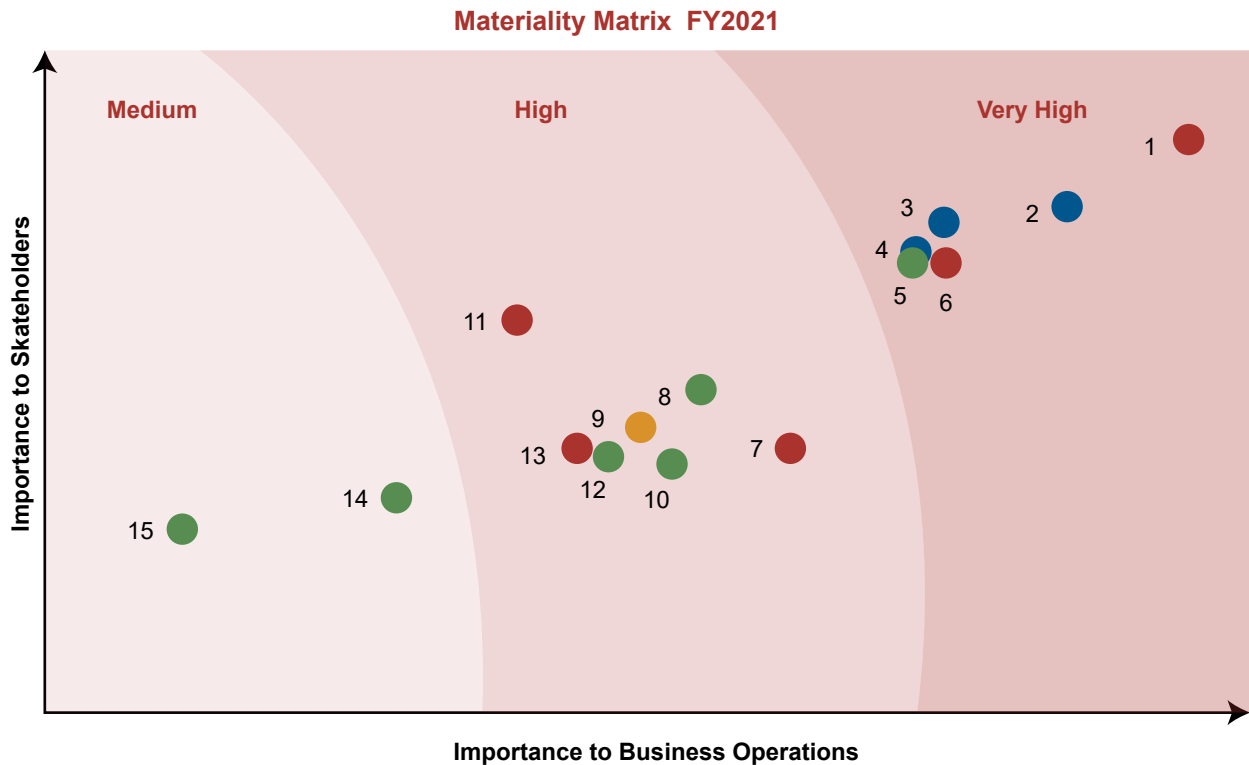
#### Materiality Matrix

Data gathered from the materiality assessment were analysed and plotted in the materiality matrix according to the degree of importance that Harn Len and the stakeholders place on each material issue.



## SUSTAINABILITY REPORT (CONT'D)

### Materiality Matrix (Cont'd)



Proactive Leadership	Sustainable Supply Chain	Conserving the Environment	Enhancing Social Values
2. Corporate Governance 3. Regulatory Compliance 4. Ethics & Integrity	9. Procurement Practices	5. Responsible Agricultural Practice 8. Climate Action 10. Energy Management 12. Water Management 14. Effluent & Waste 15. Biodiversity	1. Occupational Health & Safety 6. Labour Rights 7. Talent Retention & Attraction 11. Contribution to Society 13. Diversity & Inclusiveness

The FY2021 matrix shows a similar importance in the material sustainability matters or ESG topics reported in FY2020, with some notable changes:

- *Responsible Agricultural Practice* has become a very high priority in FY2021
- The newly added *Climate Action* is of high priority to Harn Len
- *Energy Management* has increased in importance in FY2021

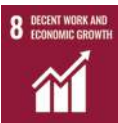


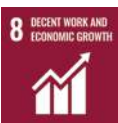

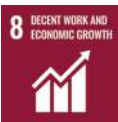




Overall, the six most significant matters, identified based on their location in the top-right section of the matrix, remained largely similar to the previous year's matrix, with the exception of Procurement Practice which was replaced by Responsible Agricultural Practice. This reflects the increased attention on the environmental impact of large-scale oil palm plantation and deforestation.



## SUSTAINABILITY REPORT (CONT'D)

### Mapping our Material Sustainability Matters

Pursuant to our sustainability strategy, we have aligned the fifteen (15) material sustainability matters to corresponding stakeholders and mapped them to the SDGs that we have identified as most crucial to our business venture.






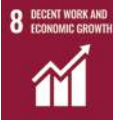


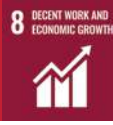


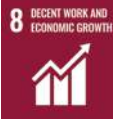
Material Sustainability Matters	Description	Relevant GRI Standards	Stakeholders	Corresponding SDGs
<b>PROACTIVE LEADERSHIP</b>				
<b>Corporate Governance</b>	The system by which the Group is directed, led and managed which includes the policies, practices and processes to manage the business operations	102-16: Values, principles, standards and norms of behaviour	Employees, Investors	 
<b>Regulatory Compliance</b>	Ensuring that the Group adheres to all relevant laws, regulations and other legal requirements	307: Environmental Compliance 419: Socioeconomic Compliance 2016	Employees, Investors, Regulatory Agencies and Statutory Bodies	
<b>Ethics and Integrity</b>	Measures to ensure that ethics and integrity are upheld by the Group which includes a mechanism to report unethical behaviour	205: Anti-corruption 2016	Employees, Investors, Suppliers	 
<b>SUSTAINABLE SUPPLY CHAIN</b>				
<b>Procurement Practices</b>	Only suppliers and vendors that meet the Group's standards and requirements will be engaged when sourcing for products and services	204: Procurement Practices	Suppliers, Customers	
<b>CONSERVING THE ENVIRONMENT</b>				
<b>Responsible Agricultural Practice</b>	Adopting sustainable agricultural practices to protect the surrounding environment	Non-GRI	Investors, Regulatory Agencies and Statutory Bodies, Customers, Local Communities	
<b>Climate Action</b>	Efforts made to reduce the impacts of climate change	305: Emissions 2016	Investors	
<b>Energy Management</b>	Efforts made on responsible energy management and consumption	302: Energy 2016	Investors	
<b>Water Management</b>	Promoting efficient water usage including water conservation	303: Water and Effluents 2018	Local Communities	





## SUSTAINABILITY REPORT (CONT'D)

### Mapping our Material Sustainability Matters (Cont'd)

Material Sustainability Matters	Description	Relevant GRI Standards	Stakeholders	Corresponding SDGs
<b>CONSERVING THE ENVIRONMENT</b>				
<b>Effluent and Waste</b>	Reducing industrial wastes and effluents and ensure their proper disposal	303: Water and Effluents 2018	Regulatory Agencies and Statutory Bodies, Local Communities	 
<b>Biodiversity</b>	Strategies and initiatives to manage the impact of operations on biodiversity and the natural environment	304: Biodiversity 2016	Local Communities	
<b>ENHANCING SOCIAL VALUES</b>				
<b>Occupational Health and Safety</b>	Measures taken to prevent workplace accidents or injuries and to maintain a safe and conducive working environment	403: Occupational Health and Safety 2018	Employees, Regulatory Agencies and Statutory Bodies	 
<b>Labour Rights</b>	Respecting and protecting the rights of all workers, contractors, and employees' stakeholders regardless of gender, age, nationality, religion and race	412: Human Rights Assessment	Investors, Employees, Suppliers, Customers	 
<b>Talent Retention and Attraction</b>	Providing fair and equal employment opportunity and benefits to all existing and prospective employees	401: Employment 2016 404: Training and Education 2016	Employees	 
<b>Contribution to Society</b>	Donations given or programmes conducted to promote the wellbeing of the members of surrounding communities within which the Group operates	413: Local Communities 2016	Local Communities	 
<b>Diversity and Inclusiveness</b>	Promoting a diverse and inclusive workplace wherein every employee is treated with respect and dignity	405: Diversity and Equal Opportunity 2016 406: Non-discrimination 2016	Employees, Suppliers	

### HARNESSING PROACTIVE LEADERSHIP

Harn Len aims to play a leading role in establishing a sustainable future by raising the sustainability standards for the palm oil industry. It is important for us to create an ethical workplace culture by aligning our actions and conducting our business affairs according to responsible ESG practices. To this end, we exercise effective oversight of business decisions to build and maintain a trusting stakeholder relationship.



## SUSTAINABILITY REPORT (CONT'D)

### HARNESSING PROACTIVE LEADERSHIP (Cont'd)

#### Sustainability Highlights:

Zero incidents of corruption recorded	Alignment of Code of Ethics and Conduct with 'Conflict of Interest' Policy
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#### Corporate Governance

To protect the interests of our stakeholders, we continue to harness a strong corporate governance in accordance with the Malaysian Code on Corporate Governance (MCCG) 2021. We are committed to implement reliable internal mechanisms and procedures that promote transparency and accountability.

With roles and responsibilities being clearly defined in our Board Charter as well as in the respective Board Committee Terms of Reference, the BOD is the final authority for Harn Len's decision-making process and is key to the longevity of our business operations. Our dedication towards robust corporate governance and integrity is exemplified in our External Auditors Policy and Remuneration Policy. The aforementioned policies are available on the Investor Relation's section of our corporate website, [www.harnlen.com.my](http://www.harnlen.com.my).

In FY2021, our Board formally approved a 'Conflict of Interest' Policies and Procedures to outline the corporate procedures to resolve a 'Conflict' where a person's ability to perform one's duty effectively is potentially impaired by personal consideration, interest or relationship. This Policy shall be applied to all Directors and employees of the Group and will come into effect in FY2022.

As part of our efforts to embed strong corporate governance practices within the Group, all Directors had undergone an in-house training conducted by third-party trainers on MCCG 2021 updates. Detailed disclosure of our practices can be found on the Corporate Governance Overview Statement in our Annual Report. We continually engage our stakeholders through the Investor Relations page of our website.

#### Regulatory Compliance

We strictly comply with all relevant federal regulations and Sarawak State ordinances pertaining to our business operations. We have also implemented stringent measures such as maintaining a legal register in our Sarawak Estates and Senang Estate to ensure observance of applicable laws and regulations. Our company's Malaysian Sustainable Palm Oil (MSPO) compliance team is sufficiently trained to identify risk areas and minimise company liabilities. The laws and regulations we adhere to include but are not limited to:

Federal Regulations	Sarawak Ordinances
Children and Young Persons (Employment) Act 1966	Land Code 1958
Environmental Quality Act 1974	Labour Ordinance 1958
Occupational Safety and Health Act 1994	Natural Resource and Environmental Ordinance 1958
Scheduled Waste Regulations 2005	Wildlife Protection Ordinance 1998
Personal Data Protection Act 2010	Protection of Public Health Ordinance 1999
Minimum Wage Order 2020	

## SUSTAINABILITY REPORT (CONT'D)

### Ethics and Integrity

We place great emphasis in maintaining high ethical standards to safeguard the Group's reputation and integrity. All Directors and employees are governed by the company policies and procedures to ensure principled business conduct at all times.

#### 1. Anti-Bribery and Corruption ("ABC") Policy

With the enforcement of the Malaysian Anti-Corruption Commission ("MACC") (Amendment) Act 2018 and the requirements of ISO 37001:2016, we maintained a comprehensive ABC policy and management system that applies to all directors, officers, employees as well as vendors, contractors and agents who perform work for and on behalf of Harn Len.

The ABC Policy outlines the Group's expectations pertaining to giving or receiving gratification as defined under the MACC Act. It also provides guidance on reporting any attempts to solicit, offer or accept any gratification from Harn Len. To support the Policy implementation, all relevant internal and external stakeholders must sign a declaration certifying that they have read, understood and will abide by the Policy.

The complete provisions of our ABC policy can be read on the Investor Relations section of our website. No incident of corruption was reported in FY2021.

#### 2. Whistleblowing Policy

Should any potential case of misconduct or wrongdoing be identified within Harn Len, we encourage all employees and members of the public to lodge a formal complaint according to the procedures outlined in our Whistleblowing Policy. Genuine whistleblowers who act in good faith will be accorded protection against reprisal or retaliation by safeguarding their identity. Details of this Policy can be viewed on the Investor Relation page of our website.

Our estate workers may also avail of communication channels where they can seek advice about unethical behaviour. In the Senang Estate, workers may escalate issues to their superiors during the regular toolbox meeting; in Sarawak Estates, a complaints box and form are provided. A Social Liaison Officer has been appointed to oversee all relevant concerns.

In the year under review, we recorded zero cases under the Whistleblowing Policy.

#### 3. Code of Ethics and Conduct

Our Code of Ethics and Conduct (the Code) contains the standards of professionalism and corporate conduct expected of all Harn Len directors and employees. In FY2021, the Code was amended to ensure alignment with our 'Conflict of Interest' Policies and Procedures with the provision of a prohibition clause against offering favours to customers, suppliers or contractors to influence their judgement or conduct. Interested parties may read the full provisions of the Code on our website.

### ADVANCING SUSTAINABLE SUPPLY CHAIN

Our consideration for sustainability extends beyond our plantation operations to include our supply chain. In addition to cost savings, upholding a sustainable supply chain boosts our efforts to reduce our business impacts on the communities where we operate and on the environment.



#### Sustainability Highlights:

100% of procurement spending were on local suppliers

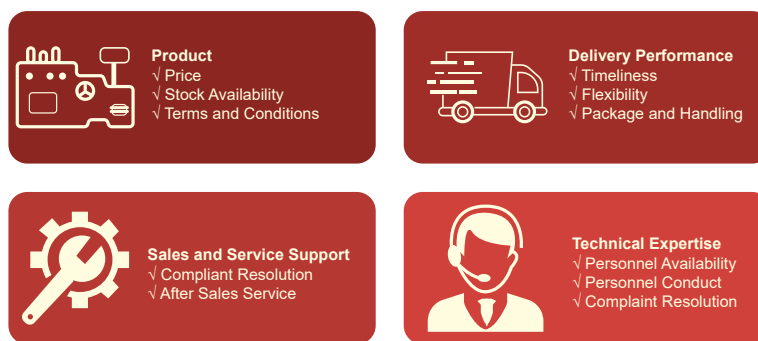
## SUSTAINABILITY REPORT (CONT'D)

### ADVANCING SUSTAINABLE SUPPLY CHAIN (Cont'd)

#### Procurement Practices

We implemented a Purchasing Policy and Procedure that applies to all of Harn Len's procurement practices. Prior to contract award, all supply chain partners are required to undergo a screening process against a set of criteria to ensure that we engage the best suppliers for our operations. Appointed suppliers also undergo an annual evaluation to assess their adherence to a set of criteria as illustrated below.

#### Evaluation Criteria



We are proud to announce that 100% of our contracts and procurement spending were awarded to local partners. We believe that by supporting Malaysian-based suppliers, Harn Len can contribute to the growth of the local economy while engaging the community.

### CONSERVING THE ENVIRONMENT

Harn Len espouses sustainable agriculture through resource optimisation and the adoption of environmentally friendly agricultural methods, as described below, to minimise the environmental impact of palm oil operations while maintaining productivity.

#### Sustainability Highlights:

6.3% reduction in total diesel consumption	Inaugural disclosure of carbon emissions (Scope 1 and 2)	0.81-ton reduction in scheduled waste generation
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#### Responsible Agricultural Practices

Oil palm replanting is necessary for the estates to improve on palm oil productivity, along with excellent production equipment, road realignment, drain intensity and planting intensity. For oil palm replanting, Harn Len adopted the best practices in land preparation. We liaise with relevant stakeholders, such as the indigenous groups and government regulators, to ensure that adverse environmental and social impacts are mitigated or minimised. To date, we have implemented the following key sustainable practices:

##### 1. Zero Burning Technique

The traditional method of palm oil replanting involves burning of old trees which release extensive amounts of pollution and carbon into the atmosphere. We have prohibited this unsustainable method of land clearing by replacing the nutrient in the soil prior to replanting. We also practice organic residue management to improve soil productivity.

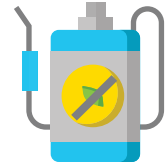


## SUSTAINABILITY REPORT (CONT'D)

### Responsible Agricultural Practices (Cont'd)

#### 2. Responsible Chemical Use

To speed up productivity, palm oil plantations normally use pesticides and herbicides to eliminate unwanted weed growth and prevent insect infestation. Recognising the increased awareness of potential health hazard and ecological impacts of toxic chemicals, Harn Len has established control measures such as using alternative, less harmful chemicals as well as careful management of chemical concentration to avoid over-dosing.



Furthermore, the workers who are responsible for spraying the chemicals are provided with the necessary personal protective equipment such as gloves, apron, safety boots, goggles and face mask to prevent any accidental skin contact. These measures are reviewed periodically to ensure compliance with regulatory requirements and alignment with industry best practices.

#### 3. Riparian Buffer Zone

Harn Len has established a buffer zone that separates the estate from the surrounding natural habitat to protect the latter from the effects of pesticide contamination or noise pollution from operating heavy machinery.



Our plantation operation is certified under the MSPO Certification Scheme. This signifies that our palm oil production is managed in a transparent and sustainable manner. We have maintained our MSPO certification for three of our oil palm estate (Senang Estate in FY2020, Masranti Estate, Harn Len Pelita Bengunan and palm oil mill in FY2019) but we have yet to obtain the same certification for Masranti Sebangkoi due to complications arising from COVID-19 restrictions.

In line with our persistent drive towards sustainability, we established an MSPO Committee to oversee the compliance with MSPO standards at our oil palm plantation and to facilitate annual surveillance audit review by external parties. We also conduct internal audits to ensure our estate operations are in line with or able to implement new MSPO practices. These efforts have paid off as 89% of Harn Len's output were certified as sustainable palm oil in FY2021.

### Energy Management

Diesel fuel is the primary source of energy for the machinery and power generator sets at our estates and palm oil mill, followed by electricity for Harn Len Pelita Bengunan and Masranti Palm Oil Mill. This year, we maintained our monitoring efforts at our palm oil facilities to better understand our environmental impact.

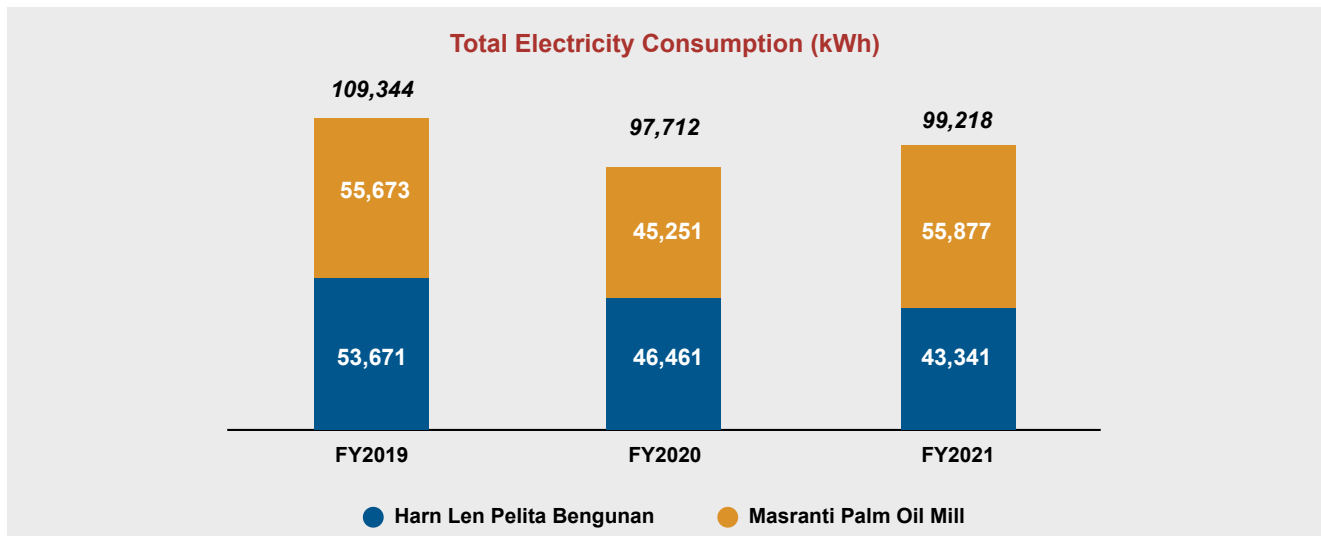


## SUSTAINABILITY REPORT (CONT'D)

### Energy Management (Cont'd)

#### Electricity Consumption

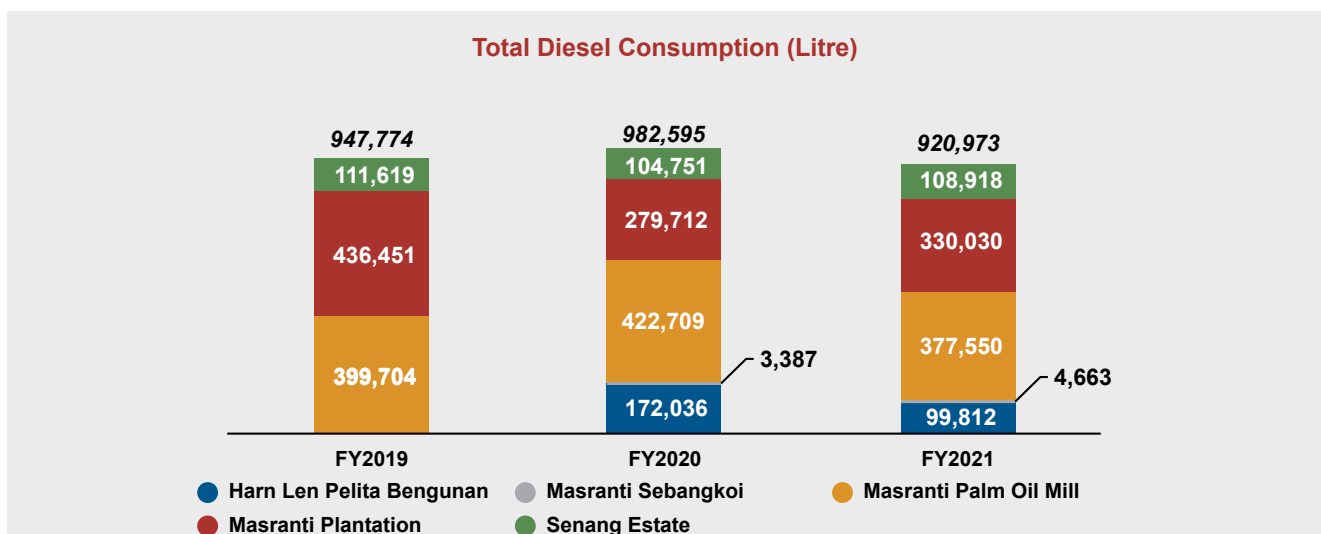
In FY2021, our total electricity consumption for Harn Len Pelita Bengunan and Masranti Palm Oil Mill amounted to 99,218 kWh, an 8.2% increase from FY2020. This increase in consumption can be attributed to disruptions during the Movement Control Order.



We enforce the best energy-saving practices in our daily operations. Workers are constantly reminded to shut down the equipment when not in use to reduce unnecessary energy consumption. We also provide regular maintenance and servicing of our machinery to ensure optimal operations and efficiency.

#### Diesel Consumption

We have expanded our data collection effort for diesel consumption to include Harn Len Pelita Bengunan and Masranti Sebangkoi in this reporting period. This encompasses all key facilities and estates disclosed in the reporting scope. This year, we recorded a reduction of 6.3% in total diesel consumption compared to FY2020.



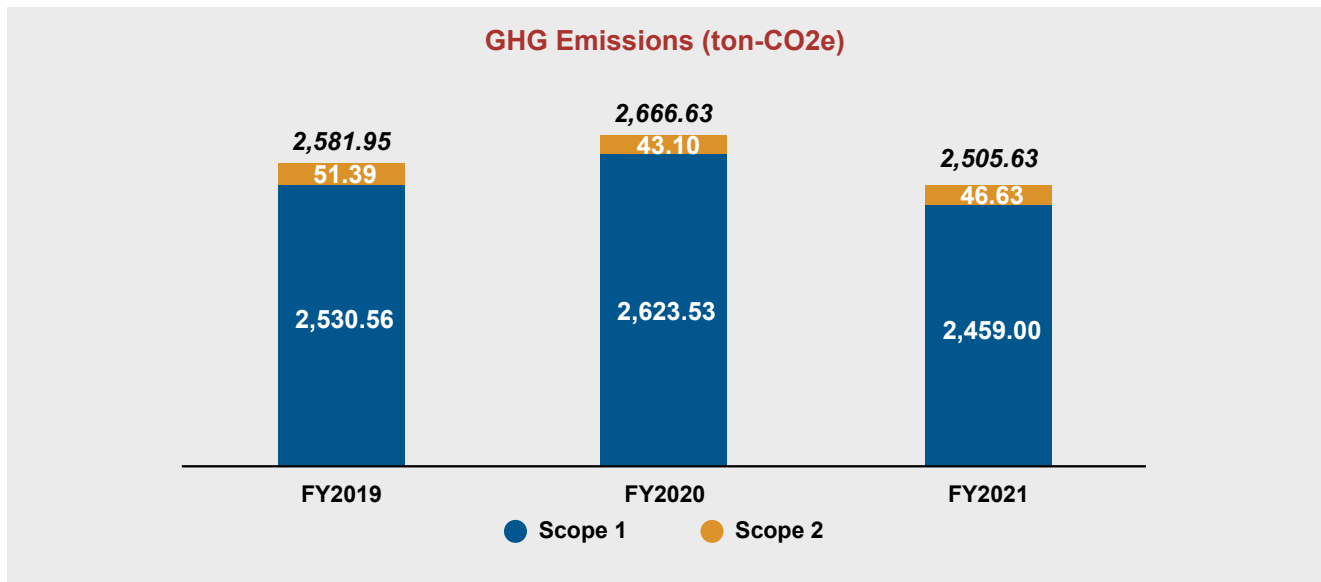
*Note: Diesel Consumption records for Harn Len Pelita Bengunan and Masranti Sebangkoi for FY2019 is absent due to lack of data collection.*

## SUSTAINABILITY REPORT (CONT'D)

### Climate Action

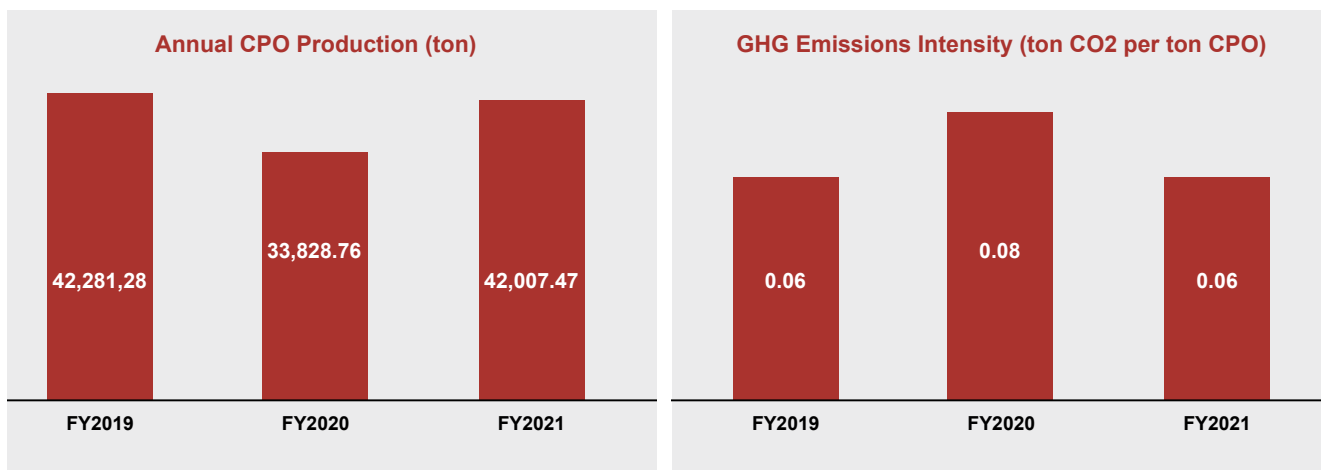
Palm oil is a major contributor to greenhouse gas (GHG) emissions and climate change due to the release of methane gas from deforestation and burning of peatlands during land clearing. In recognition of the global effort to limit the warming to 1.5°C based on the Paris Climate Agreement, we strictly enforce the Group's Zero Burning Policy to eliminate direct carbon emissions arising from land clearing practices.

In FY2021 we included total GHG emissions arising from our business activities in the monitoring our impact on climate change. We are currently monitor Scope 1 GHG emissions that result from our use of diesel in generator sets and machinery, as well as Scope 2 GHG emissions from purchased electricity. This year, we generated 2,505.63 tonnes of CO<sub>2</sub> compared to 2,666.63 tonnes in FY2020. We successfully reduced our total GHG emissions by 6% due to more efficient diesel consumption.



*Note: Electricity emissions factor was obtained from UNFCCC Harmonized grid emissions factor 2019  
Diesel and fuel emissions factor was obtained from MYCARBON GHG Reporting Guidelines 2014*

We have monitored the GHG emissions intensity to evaluate the overall efficiency of our energy usage, using Harn Len's annual production of crude palm oil (CPO) as the denominator. Across the Group, we managed to reduce the intensity of our operational GHG emissions to 0.06-ton CO<sub>2</sub> per ton of CPO, a 25% decrease compared to FY2020. The significant reduction is due to a decrease in Scope 1 GHG emissions coupled with greater CPO production.

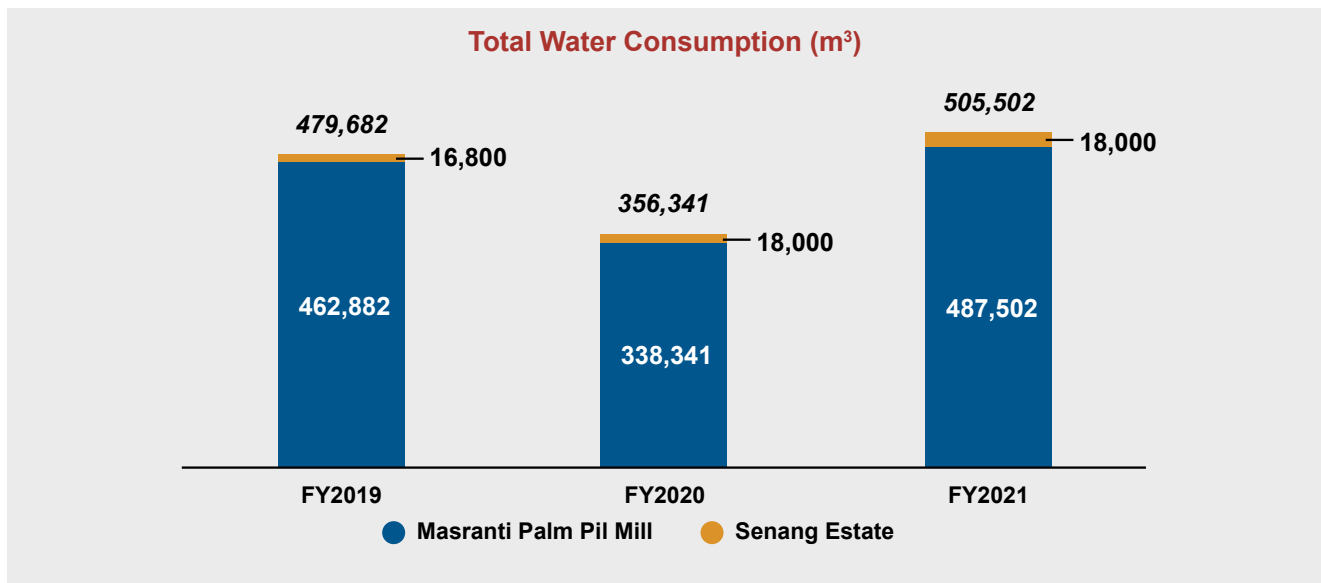


## SUSTAINABILITY REPORT (CONT'D)

### Water Management

Our operations at the palm oil mill consume large amount of water for the processing of harvested fresh fruit bunches into crude palm oil. To supplement the water procured from the municipal supply, we utilise the water from our reserve ponds constructed at strategic locations for use at our palm oil mill. Ground water is also extracted through tube-wells installations at Senang Estate to reduce our dependence on piped water.

In FY2021, our total water consumption was 505,502 m<sup>3</sup> across Senang Estate and Masranti Palm Oil Mil. This is a 41.9% increase compared to FY2020, as we ramped up the production of our palm oil mill to its pre-pandemic levels.



### Effluent and Waste

We demonstrate our commitment to environmental protection through our waste and effluent management process which includes identifying sources of waste generation and disposing of unwanted by-products in a manner that is not harmful to the environment. The three major sources of solid waste and effluent and we ensure that they are managed in accordance with the requirements of the prevailing regulations.

#### 1. Domestic waste from offices and labour quarters

Recycle bins are provided in our facilities to encourage all workers to recycle where possible in order to reduce the amount of waste sent to landfill.

#### 2. Empty fruit bunches from palm oil mill

Biomass wastes in the form of empty fruit bunches (EFB) are generated from the palm oil mill. In line with the principles of SDG 12, at our Masranti Palm Oil Mill, we have introduced the sustainable practice of converting the EFB into organic fertiliser through the process of composting and mulching. The fertiliser is then used in our own oil palm estates during our replanting phase.

#### 3. Palm Oil Mill Effluents (POME)

Our palm oil mill generate POME from the processing of fresh fruit bunches to produce crude palm oil. We treat our POME in designated ponds before it is discharged into the river. To monitor the quality of the effluent, we have implemented a monitoring system to ensure that the effluent discharged into the receiving waterbody complies with the requirements of the Department of Environment (DOE).





## SUSTAINABILITY REPORT (CONT'D)

### Effluent and Waste (Cont'd)

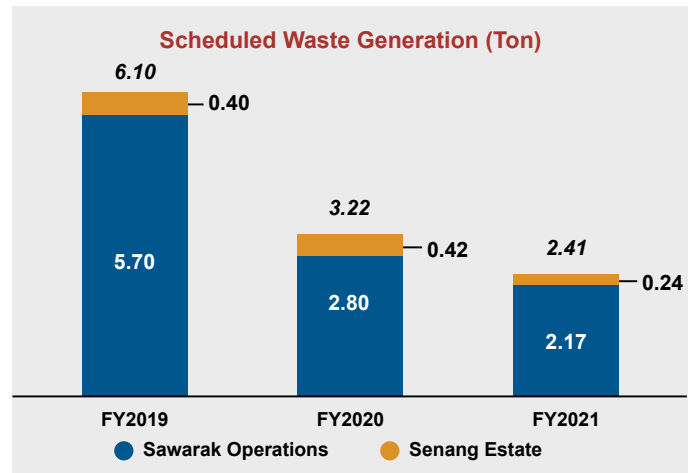
#### 3. Palm Oil Mill Effluents (POME) (cont'd)

Parameters	Units	Average Annual Effluent Data	DOE Limits
pH	-	8.2	5.0 – 9.0
Biological Oxygen Demand	mg/l	10.6	100
Chemical Oxygen Demand*	mg/l	137.1	-
Suspended Solids	mg/l	7.3	400
Total Suspended Solids*	mg/l	1,812.3	-
Ammoniacal Nitrogen	mg/l	2.6	150
Total Nitrogen	mg/l	11.3	200
Oil & Grease	mg/l	3.0	50

\*Parameters were set under the Crude Palm Oil Act 1977 Regulation 12(2) and (3), Second schedule 'parameter limits for watercourse discharge.

#### 4. Scheduled Waste from workshops

Harn Len generates two types of scheduled waste from our palm oil mill: SW305 (Spent lubricating oil) and SW410 (Contaminated rags, plastics, papers or filters). To ensure that these hazardous materials are properly handled and discarded, our staff are trained in scheduled waste management to ensure proper storage of hazardous materials. We engage with licensed contractors to transport and dispose the scheduled waste in accordance with regulations. We monitor the quantity of waste disposed through the electronic Scheduled Waste Information System ("eSWIS") monitored by the Department of Environment and the monthly E-consignment note provided by the contractors.



In FY2021, a total of 2.41 tons of scheduled waste was generated across the Group. This represents a 0.81-ton reduction from FY2020 as we have successfully eliminated spent hydraulic oil from our production system.

### Biodiversity

Plantations are required to disclose any biodiversity-related risks due to the potential negative impacts on terrestrial, water and marine environment that is inherent in their operations. In the year under review, we confirm that none of Harn Len's oil palm estates are located near any areas of high conservation value.

Nevertheless, we have established the following practices in our estates to preserve and protect biodiversity.

- Comprehensive land assessment before any replanting or estate expansion
- Building a riparian buffer zone at the edge of our estates to minimise human-animal contact and to ensure that the native wildlife and plant species are protected from any land use activities
- Strict prohibition of fishing and hunting in the estate grounds, with clear signages to properly enforce the regulation
- Educating workers on the importance of protecting wildlife species

## SUSTAINABILITY REPORT (CONT'D)

### ENHANCING SOCIAL VALUES

At Harn Len, we recognise that the palm oil industry has developed a reputation for causing adverse social impact particularly on workers and the local communities. Hence, we place high priority on the social contract that we have signed up with our customers and employees. We recognise that being the backbone of Harn Len, our workers must take pride in being part of the Group. Thus, we nurture them by maintaining a safe workplace that continues to uphold diversity and inclusion, respecting their human and labour rights, and providing motivational and engagement programmes that will benefit them even outside of the workplace.



#### Sustainability Highlights:

99.8% of Staff vaccinated against COVID-19	Zero incidents of discrimination recorded	Zero workplace incidents recorded in FY2021
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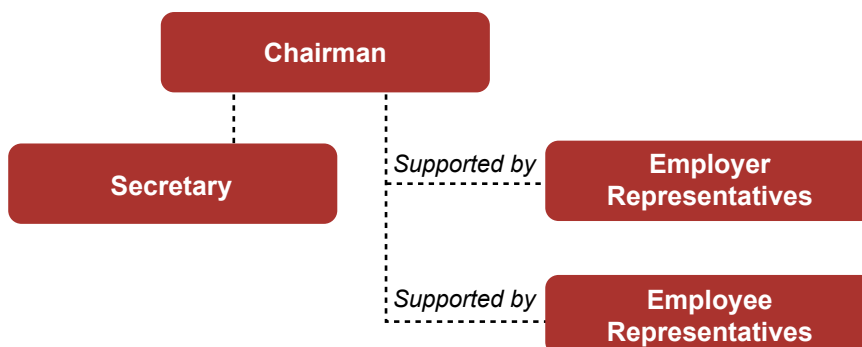
### Occupational Health and Safety

The Group's commitment towards providing a safe work space is affirmed by our zero tolerance towards any and all acts of harassment. This commitment is further intensified by the Sexual Harassment, Violence and Abuse Policy under which a formal grievance mechanism has been organised to resolve complaints of harassment. Pursuant to this Policy, complainants who act in good faith will be protected from consequences of reprisal.

To mitigate health and safety risks that are innate in plantations, we have implemented stringent measures that adhere to the requirements of the MSPO certification. Our dedicated OHS Committee continues to execute the mandate of the Occupational Safety and Health Act (OSHA) 1994 and other laws applicable to the sector. The Committee ensures that our Health and Safety (OHS) Policy guidelines are properly enforced to avoid the occurrence of workplace accidents.

Headed by the Chairman, the Committee consists of equal representation from both the management and employees. This creates a balanced approach in the discussions meant to address any health and safety issues. The roles and responsibilities of each member are also clearly defined to prevent confusion in the workplace. The Committee convenes quarterly to review Harn Len's current OHS procedure and performance.

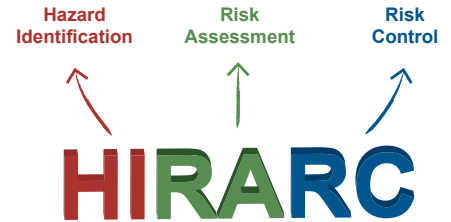
#### OHS Committee Structure









## SUSTAINABILITY REPORT (CONT'D)

### Occupational Health and Safety (Cont'd)

While we continue to conduct our annual Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) to identify key workplace hazards and associated risks, we also integrated the COVID-19 risk assessment into our HIRARC exercise for the first time this year to establish safe working conditions in the ‘new normal’. Regular workplace inspections have been organised to evaluate the safety standards in the estates and palm oil mill. Based on the findings from our HIRARC exercise and inspection, we have developed preventive measures as set in the Department of Occupational Safety and Health (“DOSH”) guidelines.



Amidst the pandemic-imposed restrictions, we conducted our annual training programmes to keep our staff updated with the latest health and safety practices. These programmes included:

 <p><b>Safe Working Procedure when entering confined spaces</b></p>	 <p><b>Permit to Work</b></p>	 <p><b>Chemical Handling and Personal Protective Equipment (“PPE”) Usage</b></p>
 <p><b>Lock Out Tag Out (“LOTO”) system for heavy machinery</b></p>	 <p><b>Introductory training on gas detector equipment</b></p>	 <p><b>Firefighting equipment and First-aid course</b></p>

We maintain an internal target of zero lost-time injury frequency rate as part of our commitment towards safe workplaces. Due to the zeal and efforts of our OHS Committee and employees, we recorded zero reportable incidents across 1,048,032 man-hours worked across the Group during this reporting period.

### Managing COVID-19

With the Movement Control Order (“MCO”) imposed by the government to curb the increase in COVID-19 cases in Malaysia, it became imperative for our estate and palm oil mill operations to adapt and meet stakeholder expectations. In FY2021, we developed the following standard operating procedures (SOPs) alongside the FY2020 COVID-19 measures which aligned with the latest regulatory guidelines from the Ministry of Health.

### New COVID-19 SOPs



## SUSTAINABILITY REPORT (CONT'D)

### Occupational Health and Safety (Cont'd)

#### Managing COVID-19 (Cont'd)

Part of our pandemic preparedness initiative is the 60-bed quarantine centre located at our Masranti Plantation. Managed by efficient personnel, the centre employs qualified medical professionals to care for employees in the event of an outbreak and to verify that they are COVID-19 free before being discharged. We have also accelerated our vaccination programme for all office employees and estate workers to curb the spread of the Covid-19 infection. As at FY2021, 99.8% of our staff are fully vaccinated against COVID-19.

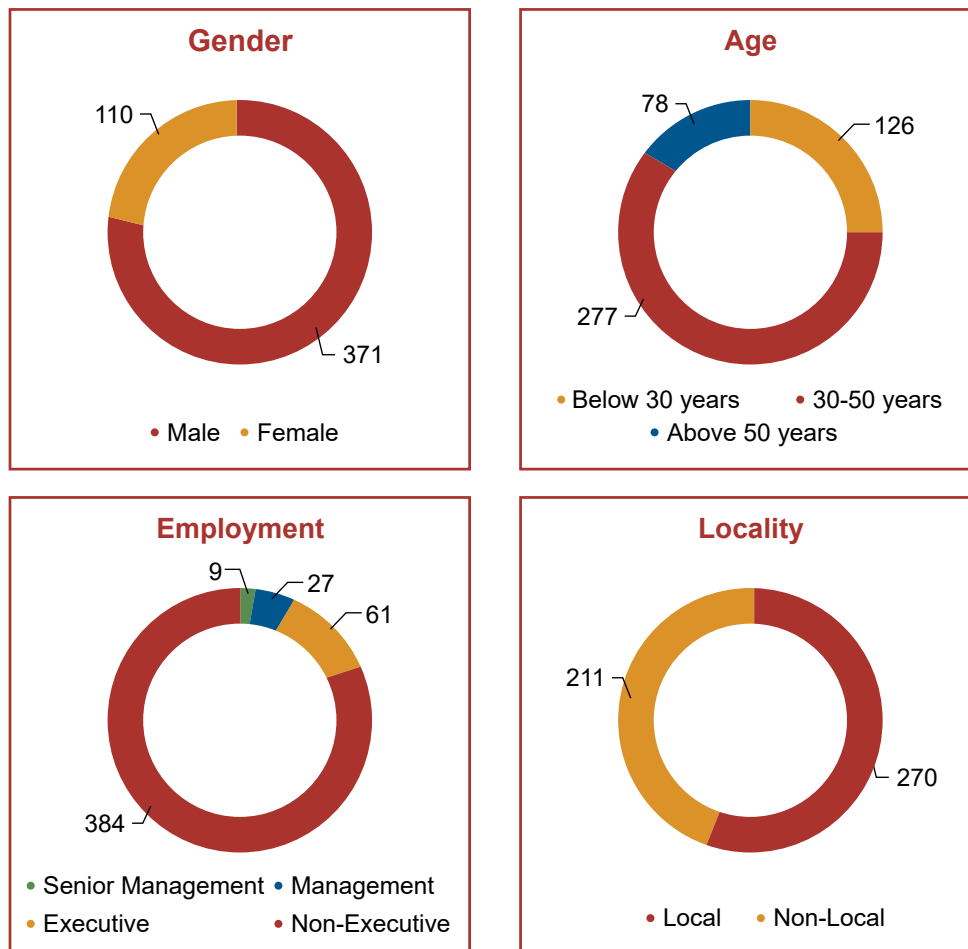
### Diversity and Inclusiveness

In the year under review, we have accorded higher priority on Diversity and Inclusiveness as we continue to promote equal opportunity in the workplace. Our existing Diversity Policy, which mandates that all employees are treated equally regardless of age, gender, race, religious belief or cultural background is being reviewed periodically to assess its applicability. Updates are available on the Investor Relations page of our corporate website.

In this reporting period, we recorded zero incidents of discrimination within Harn Len.

As at end of FY2021, we have a total of 481 workers across the Group, which includes Indonesian foreign workers at our estates. The workforce demographics are described:

The breakdown of our workforce are as follows:



## SUSTAINABILITY REPORT (CONT'D)

### Labour Rights

Foreign workers comprise the majority of our workforce and it is imperative that we treat them according to the International Labour Organization's (ILO) labour standards and the Malaysian regulations governed under the Ministry of Human Resources which is harmonised with the ILO. We provide fair remuneration to all workers; with additional benefits provided to contracted workers whose monthly wages do not exceed RM 2,500, in accordance with the Sarawak Labour Ordinance.

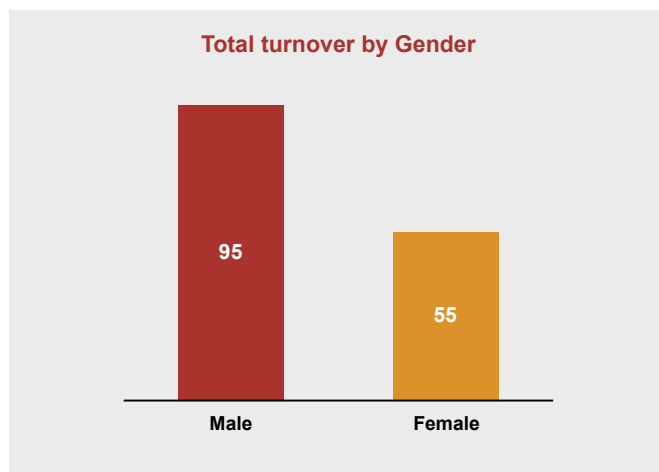
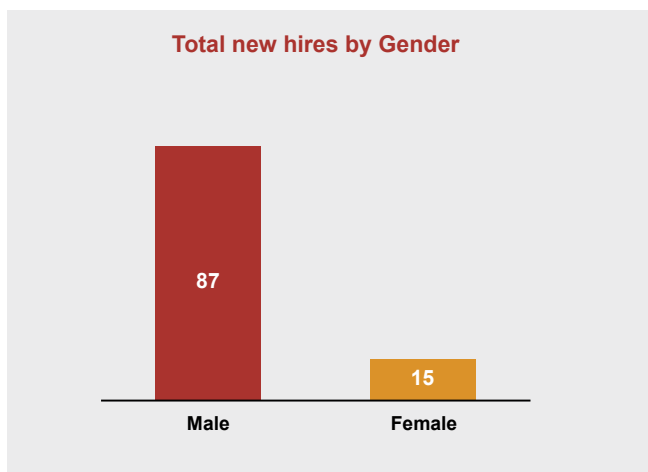
Our Labour Rights and Human Rights Policy also maintain alignment with the Universal Declaration of Human Rights wherein we acknowledge basic human rights based on the following principles:



The Policy is available in both English and Malay and is communicated to all workers through the company billboard and notice board at the labour quarters. Unfortunately, we were unable to conduct any training on human rights policies or procedures in FY2021 due to the MCO.

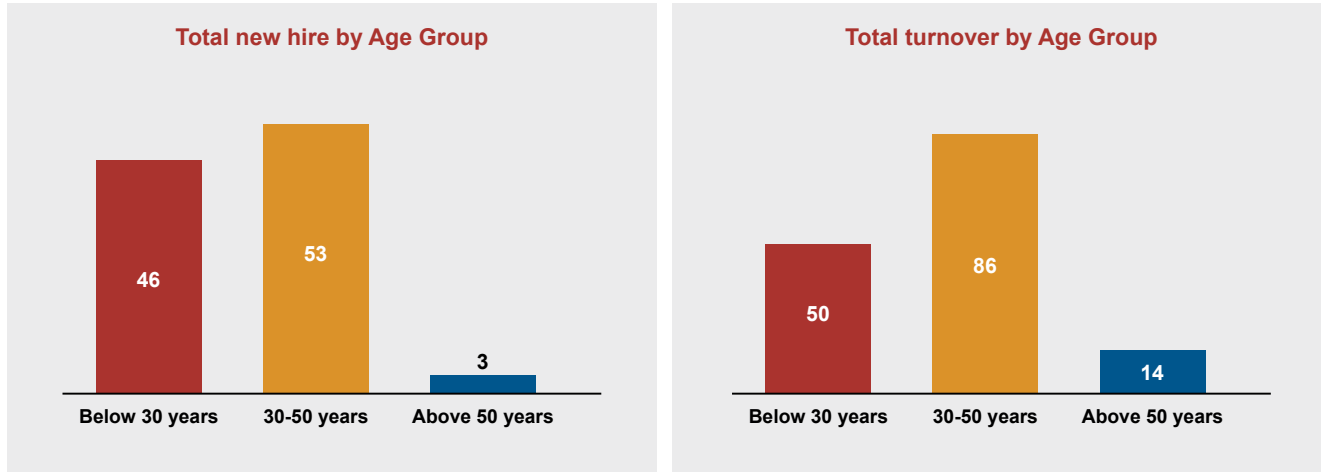
### Talent Attraction and Retention

The Group espouses equal opportunity employment and does not condone any form of bias across the organisation. In FY2021, we hired a total of 102 new employees, bringing our new hire rate to 20.2%. However, 150 employees have resigned, leading to a turnover rate of 29.70%.



## SUSTAINABILITY REPORT (CONT'D)

### Talent Attraction and Retention (Cont'd)



We believe that merit-based promotion motivates hardworking employees to do more. Thus, we provide a competitive, performance-based remuneration package which includes personal accident insurance, transport allowance, food allowance, attendance allowance, leave entitlement and employee share option scheme (ESOS).

As we continuously strive to become a better employer by providing opportunities that allow our staff to perform to the best of their abilities, we recognise that the professional and personal development of our employees is a key component in talent retention. Thus, despite the mobility challenges posed by COVID-19, we made sure that our workers are equipped with the latest skillsets and knowledge. Training programmes were conducted through virtual platforms based on the internal training matrix as agreed between managers and employees.

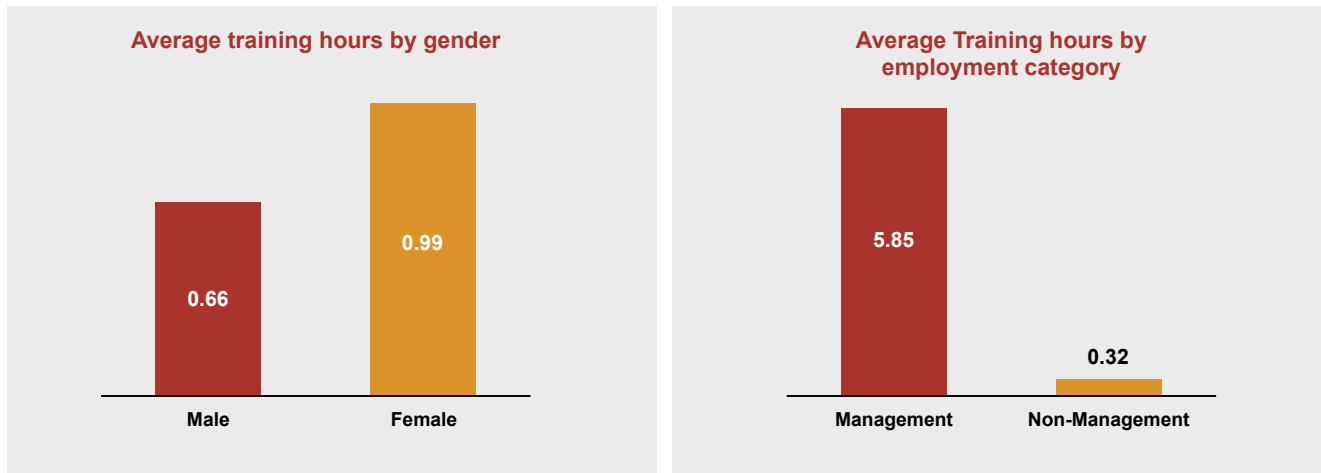
The following training programmes were held in FY2021:

Office Training Programmes	Site Training Programmes
<ul style="list-style-type: none"> <li>• 2020 Employer's Income Tax Reporting Seminar</li> <li>• ESG Reporting Health Check</li> <li>• Financial Modelling for Forecasting, Budgeting &amp; Financial Statements in Excel</li> <li>• Running and managing Virtual, Hybrid and Physical Meetings</li> <li>• Reward Strategies for 2021 and beyond</li> <li>• Malaysia Institute of Accountants Virtual Conference Series: Capital Market Conference 2021</li> <li>• Corporate Directors Training Programme Fundamental</li> <li>• Company Secretaries Training Programme Essential</li> </ul>	<ul style="list-style-type: none"> <li>• Chemical Spraying</li> <li>• Loose Fruit Collection</li> <li>• Harvesting</li> <li>• Pruning</li> </ul>

## SUSTAINABILITY REPORT (CONT'D)

### Talent Attraction and Retention (Cont'd)

In the year under review, we recorded a total of 354.7 training hours, leading to an average of 0.74 hours per employee. The drop in total training hours is caused by the reduction in training programmes for our operations division due to COVID-19. The breakdown of training hours is as follow:



### Contribution to Society

Recognising the adverse social impact of palm oil plantations on local communities, such as loss of livelihood and human rights violations, giving due attention to the needs of our local communities has become part of our ESG priorities.

In the year under review, our community engagement activities were focused on aiding those whose livelihood have been affected by the COVID-19 pandemic. We donated food baskets to underprivileged groups who are struggling to make a living. In addition, we have conducted a vaccination programme for Masranti Palm Oil Mill and the surrounding communities. Affected stakeholders such as employees, local communities and suppliers are provided with two doses of vaccine to protect against COVID-19.



*Food Basket Donations to COVID-19 affected communities.*



*Provision of COVID-19 vaccines to local communities..*



## SUSTAINABILITY REPORT (CONT'D)

### CONCLUSION

As the world continues to operate in the new normal, we realize the need to rethink our focus in achieving sustainability success by continuously implementing relevant ESG initiatives to drive sustainability across Harn Len. Guided by the MSPO Certification Scheme, we have taken measures to address key ESG topic that concerns the palm oil sector. Our agricultural practices are reviewed to ensure minimal environmental impact on our natural surroundings as well as carbon emissions from replanting operations. We are also committed to upholding internationally-recognised human rights standards in our operations by providing adequate care for our plantation workers. We are confident in meeting our stakeholders' expectations on long-term economic growth as we strive to achieve our vision for business longevity.





## AUDIT COMMITTEE REPORT

### A. Composition

Harn Len Corporation Bhd (“Harn Len” or the “Company”) has established an Audit Committee (“AC”) in line with Paragraph 15.09(1) of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa”). The AC comprises the following four (4) members who are all Independent Non-Executive Directors:

Name	Position in the Audit Committee	AC meetings attended during FY2021	% of meetings attended
<b>Mr. Chan Chong Wey</b> <i>Senior Independent Non-Executive Director Appointed to the AC on 12 November 2021</i>	Chairman	2/2*	100
<b>Mr. Loh Wann Yuan</b> <i>Senior Independent Non-Executive Director Resigned from the AC on 29 September 2021</i>	Chairman	4/4**	100
<b>Brig. Jen. (B) Dato’ Ali Bin Hj. Musa</b> <i>Independent Non-Executive Director</i>	Member	5/6	83
<b>Mr. Law Piang Woon</b> <i>Independent Non-Executive Director</i>	Member	6/6	100
<b>En. Mohamed Akwal Bin Sultan Mohamad</b> <i>Independent Non-Executive Director</i>	Member	6/6	100

Note:

- \* The AC held two (2) meetings between 12 November 2021 and the end of the financial year (as at 31 December 2021).
- \*\* The AC held four (4) meetings between the beginning of the year (as at 1 January 2021) and 29 September 2021.

The Board of Directors (“Board”) appoints members of the AC from amongst its members who fulfil the following requirements:

- (a) the AC shall consist of not less than three (3) members;
- (b) all the AC members shall be Non-Executive Directors, with a majority of them being independent; and
- (c) at least one (1) member of the AC:
  - (i) shall be a member of the Malaysian Institute of Accountants;
  - (ii) if he/ she is not a member of the Malaysian Institute of Accountants, he/ she shall have at least three (3) years of working experience and:
    - (aa) shall have passed the examinations specified in Part I of the First Schedule of the Accountants Act 1967; or
    - (bb) shall be a member of one of the associations of accountants specified in Part II of the First Schedule of the Accountants Act 1967; or
  - (iii) fulfils such other requirements as prescribed or approved by Bursa.
- (d) No alternate director is appointed as a member of the AC.

### B. Meetings

There were six (6) AC meetings held for the financial year ended 31 December 2021, and the attendance of AC members at these meetings are furnished in the **Corporate Governance Overview Statement** in this Annual Report 2021.

AC meetings are scheduled ahead of the beginning of every financial year to enable AC members to make relevant schedules ahead of meetings. Before each meeting, meeting notice and papers are circulated to AC members to enable them sufficient time and opportunity for AC members to inquire into the agenda items and request for more information, if required.



## AUDIT COMMITTEE REPORT (CONT'D)

### B. Meetings (Cont'd)

After each AC meeting, the AC Chairman briefs the Board pertaining to key matters discussed and their outcome at the Board meeting. Meeting minutes of the AC are prepared and circulated to the AC for confirmation and to the Board for notation.

Executive Directors and Senior Management only attend AC meetings on an invitation basis to provide clarification to the AC on relevant matters. The External Auditor and Internal Auditor were also invited to AC meetings to present external and internal audit matters. The dates for the AC meetings were communicated to the auditors in advance for them to prepare the relevant meeting materials.

During the financial year, the AC met with the External Auditor privately twice without the presence of the Executive Directors and Management. These private sessions provided an avenue for the External Auditor to share freely with the AC any concerns it might have during the course of its audit. The sessions also provided opportunities for the AC to inquire into the cooperation extended by Management, including the supply of information to facilitate the conduct of the external audit and whether the External Auditor encountered any difficulty in obtaining such co-operation and information for the purpose of its work.

### C. Terms of Reference

The roles and responsibilities of the AC are stipulated in the AC Terms of Reference which is available on the Company's website at [www.harnlen.com.my](http://www.harnlen.com.my).

The AC Terms of Reference is reviewed annually and was last reviewed by the AC and approved by the Board on 28 February 2022, incorporating the latest practices of the Malaysian Code on Corporate Governance (as at 28 April 2021) as well as other applicable regulations. The updated AC Terms of Reference requires a former partner of the external audit firm of the Group to observe a cooling-off period of at least three (3) years before being appointed as an AC member.

### D. Authority

The AC has the authority, but not limited, to:

- investigate any matter within its terms of reference, any matter referred to it or that it has come across in respect of a transaction that raises questions on management integrity, possible conflict of interest, or abuse by a significant or controlling shareholder;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any information which it requires in the course of performing its duties;
- have direct communication channels with the internal and external auditors;
- have direct authority over the internal audit function, including the appointment, termination, and determining the internal audit fee;
- obtain independent or external professionals or other advice and to secure the attendance of outsiders with the relevant experience and expertise, if it considers this necessary; and
- convene meetings with the external auditors, the internal auditors, or both, excluding the attendance of other Directors and employees of the Company, whenever deemed necessary.

## AUDIT COMMITTEE REPORT (CONT'D)

### E. Summary of Activities Performed During the Financial Year

The principal activities undertaken by the AC during the financial year and up to the date of this report are summarised as follows:

#### a. Financial Reporting

- reviewed the unaudited quarterly financial announcements and year-end audited financial statements with the management and External Auditor prior to recommending the same for the Board's approval. Key areas reviewed includes going concern basis of accounting, significant and unusual events, key audit matters reported by the external auditors, significant accounting policies, accounts balances subject to judgement and estimates, and compliance with applicable financial reporting standards and provisions of other relevant standards, laws, and regulations. In reviewing the quarterly financial announcements, the AC sought clarification from Management, inter-alia, matters pertaining to the Group's going concern assumption, liquidity position, creditors' ageing analysis, and status of significant transactions being undertaken. The AC also discussed with the External Auditor its limited review of the Group's unaudited fourth-quarter financial results prior to announcement.

#### b. External Audit

- evaluated the suitability, objectivity, and independence of the External Auditor before recommending to the Board for its recommendation for shareholders' approval at the Company's general meeting. In its assessment, the AC was guided by the Group's External Auditors Policy which considers the external auditor firm and audit team's calibre, requisite skills, and expertise, including its independence and professionalism, amongst others. The AC also reviewed the quantum of fees paid to the External Auditor and its affiliates, including audit and non-audit fees, to ensure professional independence was not impaired with reference to pronouncements by professional bodies, e.g. the Malaysian Institute of Accountants. The non-audit fees paid by the Company and the Group to the External Auditor and its affiliates for the financial year under review are disclosed in the **Additional Compliance Information** section in this Annual Report;
- reviewed and approved the engagement letter of the External Auditor for the annual audit and limited review;
- reviewed with the External Auditor the audit planning memorandum which includes the audit scope, key audit areas, contemplated key audit matters, audit approach, and audit reporting schedule;
- met with the External Auditor twice during the financial year without the presence of the Executive Directors and Management to enable the External Auditor to voice any concerns it might have in the course of their work;
- reviewed issues raised by the External Auditor, including opportunities for improvement to internal controls based on observations made in the course of the audit;
- Reviewed the representation letter to the External Auditor prior to signing; and
- Recommending to the Board the reappointment of the External Auditor for the shareholders approval at the AGM.

#### c. Internal Audit

- reviewed the independence, competency, resources, and audit approach of the outsourced Internal Auditor;
- approved the appointment of the Internal Auditor;
- discussed with the outsourced independent Internal Auditor the Internal Audit Plan tabled by the outsourced Internal Auditor which includes the internal audit scope for the financial year considering a risk-based methodology work; and
- reviewed the results and findings of internal audits and follow-up audits on implementation of action plans addressing previous internal audit findings highlighted in the Internal Auditor's presentation deck to the Audit Committee.

## AUDIT COMMITTEE REPORT (CONT'D)

### E. Summary of Activities Performed During the Financial Year (Cont'd)

#### d. Related Party Transaction and Other Matters

- reviewed the related party transactions (including recurrent related party transactions) of the Group and any conflict-of-interest situations;
- reviewed the Group's policies and procedures on conflict of interest and related party transactions before recommending them for the Board's approval;
- briefed by the Chairman of the Enterprise Risk Management ("ERM") Committee on a quarterly basis, focusing on the minutes of the ERM Committee meeting, covering the significant risks faced by the Group and measures implemented by Management to mitigate the risks;
- reviewed the Audit Committee Report and Statement on Risk Management and Internal Control before recommending the same to the Board for approval; and
- through the AC Chairman, briefed the Board the outcome of AC meetings, focusing largely on the work and results of the External and Internal Auditors, recurrent related party transactions, quarterly announcements and year-end financial statements, risk management update of the Group, and other significant matters requiring the Board's attention.

#### Internal Audit Function

The Group outsourced its internal audit function to an independent internal audit service provider, namely Ernst & Young Advisory Services Sdn. Bhd. The principal function of the internal audit function is to undertake systematic reviews of the internal control system within the Group in accordance with an approved internal audit plan, so as to provide assurance that such a system is adequate and functioning as intended.

In recommending the internal audit plan for the AC's approval, the Internal Auditor considered a risk-based approach and the internal audit approach is largely based on globally recognised internal audit standards, i.e. the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. Through the internal audit reports, the Internal Auditor presented to the AC its findings on the state of internal controls of the various operating units within the Group and provided recommendations for the improvement of the control procedures, so that remedial actions are taken to mitigate weaknesses noted in the system and controls of the respective operating units.

Details of the internal audit activities and scope of coverage, including the cost incurred for the outsourced internal audit function, are set out in the **Statement on Risk Management and Internal Control** included in this Annual Report 2021.

This Report is dated 19 April 2022.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### Introduction

The Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa”) require the Board of Directors (“Board”) of listed issuers to issue a statement about the state of risk management and internal control of the listed issuer as a group (hereinafter known as “Statement on Risk Management and Internal Control” or “Statement”), which includes sufficient and meaningful information to enable shareholders and other stakeholders to make an informed assessment of the main features and adequacy of the listed issuer’s risk management and internal control system as a group.

In compliance with the above, the Board of Harn Len Corporation Bhd (“Harn Len” or the “Company”) furnishes this Statement, which sets out the nature and scope of the system of risk management and internal control in the Group (comprising the Company and all its subsidiaries) for the financial year ended 31 December 2021 and up to the date of approval of this Statement for inclusion in the Company’s Annual Report. This Statement has considered and included the mandatory contents promulgated in the “Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers”, a publication of Bursa Securities, which seeks to provide guidance to listed issuers in preparing the Statement.

### Board’s Responsibility on Risk Management and Internal Control

The Board acknowledges its overall responsibility for the Group’s system of risk management and internal control to protect shareholders’ investment and the Group’s assets, including the review of the adequacy and operating effectiveness of this system in meeting the Group’s corporate objectives. The Board is aware of the need to delineate clear roles and responsibilities towards discharging its fiduciary and leadership roles in tandem with the Principles, Practices and Guidance of the Malaysian Code on Corporate Governance (as at 28 April 2021) (“MCCG”) issued by Securities Commission Malaysia. Accordingly, the Board is mindful of its key responsibilities, set out in the following Practices, including Guidance, of the MCCG in relation to risk management and internal control:

- **Practice 1.1 and Guidance 1.1**  
The Board should:
  - o ensure there is a sound framework for internal controls and risk management;
  - o understand the principal risks of the Company’s businesses and recognise that business decisions involve the taking of appropriate risks;
  - o set the risk appetite within which the Board expects Management to operate and ensure that there is an appropriate risk management framework to identify, analyse, evaluate, manage, and monitor significant financial and non-financial risks;
- **Practice 10.1**  
The Board should establish an effective risk management and internal control framework; and
- **Practice 10.2**  
The Board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

In view of the limitations inherent in any system of risk management and internal control, the Group’s system of risk management and internal control is designed to manage, rather than eliminate, the risk of failure to achieve the Group’s corporate objectives. The Group’s system of risk management and internal control can, therefore, only provide reasonable, but not absolute, assurance against any material misstatement, financial loss or fraudulent activity.

In applying Practice 10.1 of the MCCG, the Board has formalised an Enterprise Risk Management framework (“ERM Framework” or “Framework”) in 2007 with assistance from a reputable firm of consultants to provide insights on how pertinent risk management policies and procedures could be developed within the Group. These policies and procedures have since been revised from time to time to meet changing regulatory requirements and the needs of the Group.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### Board's Responsibility on Risk Management and Internal Control (Cont'd)

This Framework, which sets out, inter-alia, policies and guidelines to streamline the Group's risk management efforts and activities in a structured and holistic manner to safeguard shareholders' investment and the Group's assets, accords largely with the ISO31000 Risk Management Principles and Guidelines. With this Framework, the Board has established an ongoing process to identify, evaluate, control, report, and monitor significant business risks faced by the Group in achieving its objectives and strategies. The Board, through its Audit Committee, reviews the outcome of the risk management and internal control process, including mitigating measures deployed by Management to address the key risks as identified. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Company's Annual Report.

### ERM Framework and Internal Control System – Key Features and Focus

Risk management is embedded in the Group's key business processes through its ERM Framework, which delineates, inter-alia, a step-by-step approach towards identifying and evaluating risks faced by business units and the Group. To streamline risk management processes and activities, the Board has developed the abovementioned ERM Framework to be adhered to by business units across the Group. The ERM Framework embodies a structured assessment process, resulting in the compilation of specific risk profiles, i.e. summary of risks, of key business units and companies in the Group by the Enterprise Risk Management Committee ("ERM Committee"), including the quarterly update of risk profiles and reporting of the Group's top five (5) risks to the Audit Committee and Board, taking into account changes in business environment, regulatory requirements as well as emerging risks.

The individual risks in the profile are assessed on their likelihood of occurrence and the impact thereof based on a '4 by 4' risk matrix, using parameters, i.e. measuring yardsticks, established for the Group. The risk parameters comprise relevant financial and non-financial metrics for risks to be assessed in terms of likelihood of their occurrence and the impact thereof. This feature essentially articulates the Board's risk appetite, i.e. the extent of risk the Group is prepared to take or seek in achieving its business objectives.

Details of each specific risk are recorded in an individual risk register, documenting the risk description, risk ranking in terms of likelihood of occurrence and the impact thereof, based on the above-mentioned risk parameters, after considering the effectiveness of internal controls deployed by Management to address the risk, recommended additional action plans to mitigate the risk to an acceptable level, including the timelines for completion of action plans and the status of implementation. The risk ranking also considers the results of internal audits conducted by the outsourced internal audit function.

The ERM Committee comprises an Independent Director, two (2) Executive Directors, and several members of Management. During the financial year, the ERM Committee met four (4) times with deliberations that focused on the risk profile of the Group, status of action plans, and timelines to mitigate the significant risks identified, key indicators on Group's performance, status of capital expenditure ("CAPEX Tracker"), and policies and procedures, including status of internal audit and corrective action plans.

The ERM Committee, when reviewing the risk update by business units, enquires into the status of action plans undertaken by Management of the business units concerned before reporting to the Audit Committee and Board. The action plans that Management has taken and/or is taking to mitigate the risks to acceptable levels are reported by the Chairman of the ERM Committee to the Audit Committee and the outcome is documented in the Audit Committee meeting minutes. The Chairman of the ERM Committee thereafter briefs the Board on the activities undertaken by the ERM Committee, including the top five (5) business risks faced by the Group and the action plans taken by Management to mitigate the said risks to acceptable levels within specified timelines.

During the financial year under review, there were four (4) risk updates conducted by the Group with the results reported by the Chairman of ERM Committee to the Audit Committee and the Board for further deliberation and comments. The business risks as identified encompassed, inter-alia, risks on strategies, finance, operations, sustainability, including risks related to ethical conduct and anti-corruption, regulatory compliance, and sustainability.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### ERM Framework and Internal Control System – Key Features and Focus (Cont'd)

Besides internal controls implemented by Management to address the risks as mentioned above and the appointment of an outsourced independent internal audit function, the Group's internal control system also encompasses the following salient aspects:

- an organisational structure with defined lines of responsibilities and levels of delegation and authority, including financial limits of authority in approving transactions and activities as well as the mandate to operate bank accounts. The structure also features reporting lines and segregation of duties for key processes like strategic management, operations, sales to collections, procure to pay, human resource, capital expenditure, estate and field management, inventory management, financial reporting, corporate affairs, and investments;
- the conduct of site visits by Senior Management to estates and business units which serve as physical checks on the operations of business units;
- an annual budgetary exercise that requires business units to compile financial budgets which are then consolidated into the Group budget and presented, to the Board for further comments, if any, and approval. Quarterly review of the Group's performance is carried out at Audit Committee and Board meetings, where explanations on significant variances from preceding and year-to-date periods are provided by Management;
- significant changes in business development are reported by Management to the Board at scheduled meetings. This review enables the Board to evaluate and monitor the Group's business performance in relation to its strategic objectives;
- the Audit Committee, which is entrusted to oversee, inter-alia, the Company's financial reporting process, in particular the quarterly and annual announcements of the Group's financial performance, meets quarterly to review the announcements, seeks clarification and explanations from Management before recommending the announcements to the Board for approval;
- a process for the management of sustainability matters relevant to the Group, including key sustainability risks and opportunities, which is spearheaded by the Sustainability Committee;
- internal policies and procedures on key business processes are formalised in writing for adherence by personnel across the Group. These policies and procedures guide personnel on complying with internal control requirements and applicable laws and regulations, for example, the Group has established a Code of Conduct and Employees handbook that set out acceptable and non-acceptable actions and behaviour by Directors and employees, as the case may be;
- a group-wide framework on corporate governance which covers, amongst others, a Code of Ethics and Conduct for Directors and employees which sets out the principles and standards of business ethics and conduct of the Group, policies and procedures on anti-corruption which were developed guided by the Guidelines on Adequate Procedures Issued Pursuant to Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009, policies on conflict of interest within the Group, management of material sustainability risks of the Group, and workplace diversity through the Group's Diversity Policy; and
- structured whistleblowing policies and procedures are formalised in writing to enable employees to raise concerns in good faith about suspected or actual improprieties on matters of financial reporting, noncompliance with laws and regulations, malpractices, or unethical business conduct within the Group at the earliest opportunity and in an appropriate way without fear of reprisal.

### Internal Audit Function – Its Structure and Scope of Coverage

#### Structure

The Group's internal audit function is outsourced to an independent professional firm, namely Ernst & Young Advisory Services Sdn Bhd. The appointment of this firm followed an assessment by the Audit Committee on its suitability and capability.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### Internal Audit Function – Its Structure and Scope of Coverage (Cont'd)

#### Scope of Internal Audit Coverage

The internal audit function conducted an assessment of the Group's system of internal control for the financial year under review, focusing on selected major business processes of two major estates of the Group as well as the Company and reported its observations directly to the Audit Committee. The internal audit function was also tasked to conduct a follow-up on the status of implementation of action plans by Management on the recommendations highlighted in preceding cycles of internal audit, as deemed relevant. The Audit Committee took note of the issues raised.

The Internal Audit Plan which was approved by the Audit Committee was prepared based largely on the Group's financial information and the relative risks of the business units to the achievement of the Group's corporate objectives. The internal audit approach adopted was largely aligned with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors, Inc., a globally recognised professional body for internal auditors.

Internal audit observations on system weakness and areas for improvement were included in the reporting decks presented by the internal audit function to the Audit Committee in September 2021, November 2021 and February 2022 where the Audit Committee took note of the necessary action plans to be undertaken by Management for further follow-up and monitoring.

The total cost incurred by the Group on the outsourced internal audit function for the financial year amounted to RM238,000.

#### External Auditor

The External Auditor, in the course of its statutory audit of the Group's and Company's financial statements, reviewed the Group's system of internal control to the extent of its planned reliance as laid out in its audit planning memorandum. Any significant deficiencies in internal controls identified during the audit, together with the improvement measures to strengthen internal controls, were reported in writing to the Audit Committee by the External Auditor by way of presentation deck.

In assisting the Board to assess the adequacy and operating effectiveness of the Group's risk management and internal control system, the Audit Committee reviewed the observations raised by the Internal and External Auditors, as well as actions taken by Management to address the areas of concern for the financial year ended 31 December 2021. The Audit Committee reported to the Board the outcome of its engagement with the Internal and External Auditors concerning the adequacy and operating effectiveness of the Group's system of risk management and internal control.

### Assurance by the Group Managing Director and Chief Financial Officer on the Adequacy and Operating Effectiveness of the Risk Management and Internal Control System

The Board has received assurance in writing from the Group Managing Director and Chief Financial Officer stating that the Group's risk management and internal control system has operated adequately and effectively, in all material aspects, for the financial year under review and up to the date of this Statement.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

### Board's Comments on the Adequacy and Operating Effectiveness of the Group's Risk Management and Internal Control System

The Board, through its Audit Committee and the ERM Committee, has reviewed the adequacy and operating effectiveness of the Group's risk management and internal control system, and that relevant actions have been or were being taken, as the case may be, to remedy the internal control weaknesses identified from the review.

The Board is of the view that the system of risk management and internal control, in place for the financial year under review and up to the date of this Statement, is sound and sufficient to safeguard shareholders' investment and the Group's assets. Whilst the Board is of the view that there were no material losses incurred during the financial year as a result of weaknesses in the risk management and internal control system, the Board believes that this system must continuously evolve to meet the changing business landscape and environment the Group operates in. Therefore, the Board continues to put in place action plans, as deemed appropriate, to strengthen the system of risk management and internal control from time to time.

### Internal Controls relating to COVID-19 Event

During FY2021, the Group's plantations and mill operations continued to operate during periods of Movement Control Order ("MCO") imposed by the federal and state governments, subject to limitations such as preventive measures and procedures stipulated by the governments. The Group, spearheaded by the Group Managing Director, has incorporated COVID-19 preventive measures and procedures in its operations to safeguard the safety and health of employees and to comply with regulations. The Group communicated with relevant stakeholders including employees, customers, and vendors on the Group's adaptive measures to enable operational continuity.

### Review of Statement by the External Auditor

As required by paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditor has reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Group for the year ended 31 December 2021. Their limited assurance review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG3 does not require the External Auditor to consider whether the Statement of Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Based on their procedures performed, the External Auditor has reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is it factually inaccurate.

This Statement is made in accordance with the resolution of the Board of Directors dated 19 April, 2022.



## ADDITIONAL COMPLIANCE INFORMATION

### 1. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable to the External Auditors and/or their associated firms, incurred by the Company and by the Group, for the financial year ended 31 December, 2021 are as follows:

	Group (RM)	Company (RM)
Audit fees	193,000	80,000
Non-audit fees*	104,000	65,000

\* Non-audit fees for the financial year comprised mainly of fees for transfer pricing compliance, and review of the Statement on Risk Management and Internal Control.

### 2. Material contracts

There were no material contracts entered into by the Company and its subsidiaries involving the interest of the Directors, chief executive who is not a director, or major shareholders, as at the end of the financial year ended 31 December 2021.

### 3. Contracts Relating to Loan

There were no contracts relating to a loan by the Company and its subsidiaries in respect of the preceding item.

### 4. Employees' Share Scheme (ESS)

The Company has obtained its shareholders' approval to establish an employees' share scheme ("ESS") on the 13 August 2019 for up to 15% of the total number of issued shares of the Company (excluding treasury shares). It comprises Shares Grant and Employee Share Options.

During the financial year ended 31 December 2021, 800,000 Share Options were exercised by the Directors. The Company granted 400,000 share options to eligible employees and none of these share options were exercised during the financial year ended 31 December 2021. There were no shares or share options granted to Directors or Senior Management during the financial year.

The total number of shares granted and share options granted, exercised, and outstanding under the ESS since the commencement of the ESS and during the financial year ended 31 December 2021 are set out in the table below:

	Total	Managing/ Deputy Managing/ Executive Directors	Senior Management	Other Eligible Employees
For the period from 13 August 2019 to 31 December 2020				
Shares Grant				
Number of shares granted	4,633,000	3,000,000	500,000	1,133,000
Total number of shares granted up to 31 December 2020	4,633,000	3,000,000	500,000	1,133,000
Employee Share Options				
Number of share options granted	4,943,000	3,000,000	500,000	1,443,000
Number of share options exercised	(1,200,000)	(550,000)	(500,000)	(150,000)



## ADDITIONAL COMPLIANCE INFORMATION (CONT'D)

### 4. Employees' Share Scheme (ESS) (Cont'd)

The total number of shares granted and share options granted, exercised, and outstanding under the ESS since the commencement of the ESS and during the financial year ended 31 December 2021 are set out in the table below: (cont'd)

	Total	Managing/ Deputy Managing/ Executive Directors	Senior Management	Other Eligible Employees
<b>Employee Share Options (cont'd)</b>				
Number of share options lapsed	(3,000)	-	-	(3,000)
Number of share options outstanding as at 31 December 2020	3,740,000	2,450,000	-	1,290,000
<b>For the period from 1 January 2021 to 31 December 2021</b>				
<b>Shares Grant</b>				
Number of shares granted	400,000	-	-	-
Total number of shares granted up to 31 December 2021	400,000	-	-	-
<b>Employee Share Options</b>				
Number of share options outstanding as at 1 January 2021	3,740,000	2,450,000	-	1,290,000
Number of share options granted	400,000	-	-	400,000
Number of share options exercised	(1,404,000)	(800,000)	-	(604,000)
Number of share options lapsed	(15,000)	-	-	(15,000)
Number of share options outstanding as at 31 December 2021	2,721,000	1,650,000	-	1,071,000

Pursuant to the By-Laws of the ESS, not more than 80% of the total new shares to be issued under the ESS shall be allocated to the Directors and/or Senior Management of the Group. The actual percentage of shares and share options granted to Directors and Senior Management was 65.51% of the total shares to be issued under the ESS.

Further information on the ESS are set out in the Directors' Report and Note 27 to the Financial Statements for the financial year 2021 in the Annual Report.

### 5. Recurrent Related Party Transactions ("RRPT") of Revenue Nature

The details of the recurrent related party transactions of revenue or trading in nature undertaken by the Company during the financial year ended 31 December 2021 are disclosed in Note 28 of the Financial Statements.

### 6. Utilisation of Proceeds

There were no proceeds raised by the Company from any corporate exercise.