

# CORPORATE GOVERNANCE REPORT

**STOCK CODE** : 5819  
**COMPANY NAME** : HONG LEONG BANK BERHAD  
**FINANCIAL YEAR** : June 30, 2021

## OUTLINE:

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

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

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

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

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

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

### Intended Outcome

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

### Practice 1.1

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Board of Directors of Hong Leong Bank Berhad ("HLB" or "Bank") assumes responsibility for effective stewardship and control of the Bank and has established terms of reference ("TOR") to assist in the discharge of this responsibility.</p> <p>In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to Management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board and published on the Bank's website, '<a href="http://www.hlb.com.my">www.hlb.com.my</a>' ("the Bank's Website"). The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia ("BNM") as specified in guidelines and circulars issued by BNM from time to time.</p> |
| <b>Explanation for departure</b>   | : |   |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

**Intended Outcome**

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

**Practice 1.2**

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

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Chairman helms the Board of Directors. He leads the Board and ensures its smooth and effective functioning.<br><br>The responsibilities of the Chairman are set out in the Board Charter, which is published on the Bank's Website. |  |
| <b>Explanation for departure</b>   | : |   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

**Practice 1.3**

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

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | There is a clear division of responsibilities between the Chairman of the Board and the Chief Executive Officer ("CEO"). This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability. |  |
| <b>Explanation for departure</b>   | : |   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

**Practice 1.4**

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

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. The Company Secretary attends programmes and seminars to keep abreast of relevant regulatory requirements, company law and corporate governance requirements and best practices. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

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

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | Prior to Board meetings, Directors are provided with minutes of the previous meeting(s). The agenda together with meeting reports and reference materials are disseminated electronically via 'BoardPAC', an iPad-based solution which stores meeting documents digitally in a secured manner. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

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

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

**Practice 2.1**

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

The board charter clearly identifies–

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

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board Charter sets out the responsibilities of the Board and Board Committees, the Chairman and CEO, matters reserved and delegated by the Board and proceedings of Directors.</p> <p>The Board Charter was reviewed periodically by the Board and published on the Bank's Website.</p> |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

### Intended Outcome

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

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

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") and Hong Leong Bank Group ("HLB Group" or "HLBG") Code of Conduct &amp; Ethics which incorporates the ethical standards recommended by the Financial Services Professional Board's Code of Ethics which is applicable to:</p> <ul style="list-style-type: none"><li>• All employees who work in the HLB Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees;</li><li>• Board of Directors of the HLB Group; and</li><li>• Any other persons permitted to perform duties or functions within the HLB Group – including but not limited to contractors, secondees, interns, industrial attachment and agency staff.</li></ul> <p>There are six key pillars to the HLB Group Code of Conduct and Ethics:</p> <ul style="list-style-type: none"><li>• Competence</li><li>• Integrity</li><li>• Fairness</li><li>• Confidentiality</li><li>• Objectivity</li><li>• Environment</li></ul> <p>The Code of Ethics for Company Directors and the Code of Conduct &amp; Ethics are published on the Bank's Website.</p> <p>To foster and maintain a healthy corporate culture that engenders integrity, transparency and fairness, the Bank has additional policies to support this:</p> <ul style="list-style-type: none"><li>• Fair Treatment of Financial Consumers Policy ("FTFC") (in line with the policy guideline issued by Bank Negara Malaysia ("BNM") on 6 November 2019)<ul style="list-style-type: none"><li>➢ To ensure that the Bank is fair, responsible and professional when dealing with financial consumers;</li></ul></li></ul> |



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|  | <ul style="list-style-type: none"> <li>• Anti-Bribery &amp; Corruption Policy <ul style="list-style-type: none"> <li>➢ To set out the policy, framework and responsibilities of the directors, employees and associated persons as defined in the policy with regards to observing and upholding HLBG's zero-tolerance position on corruption and bribery with reference to the following main offences stipulated in the Malaysian Anti-Corruption Commission Act 2009 ("MACCA");</li> </ul> </li> <li>• Whistleblowing Policy <ul style="list-style-type: none"> <li>➢ To ensure that all employees, business associates and customers are aware of the appropriate channels to raise any concerns about improper conduct at the earliest opportunity;</li> </ul> </li> <li>• Remuneration Policy <ul style="list-style-type: none"> <li>➢ To ensure alignment and compliance to the corporate governance standards issued by BNM whilst at the same time maintain a competitive remuneration strategy, enabling us to attract and retain talent;</li> </ul> </li> <li>• Talent Management Policy <ul style="list-style-type: none"> <li>➢ To recruit, develop, and retain talent to support and drive the execution of the business strategy by ensuring we have the right people in the right roles;</li> <li>➢ For senior management and control functions appointments, regulatory requirements will be strictly adhered to including Fit and Proper and Employee Screening Guidelines.</li> </ul> </li> </ul> |  |
| <b>Explanation for departure</b>   | :  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   | :  |  |
| <b>Timeframe</b>   | :  |  |

**Intended Outcome**

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

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

**Practice 3.2**

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

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| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Bank has in place the Hong Leong Bank Group ("HLBG") Board Policy on Whistleblowing ("Whistleblowing Policy") to provide an avenue for:</p> <p>(a) all employees and directors of HLBG; and</p> <p>(b) any (legal or natural) person including those providing services to, or having a business relationship with, HLBG,</p> <p>to raise genuine concerns about any improper conduct or wrongful act ("Improper Conduct") that is committed involving the Bank and/or the Bank's employees and business partners through the HLBG's whistleblowing channel on a confidential basis.</p> <p>The HLBG's Whistleblowing Policy, the email addresses of the recipients of the whistleblower reports, as well as the Whistleblower Form are available on the Bank's Website.</p> |
| <b>Explanation for departure</b>   | : |   |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
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**Intended Outcome**

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

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

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| Application   | : | Applied  |  |
| Explanation on application of the practice  | : | The Board of the Bank comprises a majority of Independent Directors. |  |
| Explanation for departure   | : |  |  |
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| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |  |
| Measure   | : |  |  |
| Timeframe   | : |  |  |

**Intended Outcome**

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

**Practice 4.2**

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

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

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| Application   | : | Not applicable - No independent director(s) serving beyond 9 years |  |
| Explanation on application of the practice  | : |  |  |
| Explanation for departure   | : |  |  |
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| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |  |
| Measure   | : |  |  |
| Timeframe   | : |  |  |

**Intended Outcome**

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

**Practice 4.3 - Step Up**

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

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| <b>Application</b>                             | : | Adopted   |
| <b>Explanation on adoption of the practice</b> | : | The Bank has in place a policy in relation to the tenure for Independent Directors of the Bank ("Tenure Policy") under the Fit and Proper ("F&P") Policy of the Bank. Pursuant to the revised Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Bank. Upon completion of the 9 years, an Independent Director shall retire on the expiry date of his or her term of office approved by BNM. |

**Intended Outcome**

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

**Practice 4.4**

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

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| <b>Application</b>                                | : | Applied  |
| <b>Explanation on application of the practice</b> | : | <p>The Bank has in place a F&amp;P policy as a guiding mechanism and framework for appointment of the Board and the CEO as set out in the F&amp;P policy of the Bank. The F&amp;P policy provides, inter alia, the assessment criteria and guidelines for such appointments and they are as follows:</p> <ul style="list-style-type: none"> <li>(i) how the candidate will be a strategic and effective fit for the Board and contribute to the overall desired composition and required mix of expertise and experience to enhance the Board's overall effectiveness;</li> </ul> <p>The Nomination Committee ("NC") shall, inter alia, consider the attributes, qualifications, management, leadership and business experience, which ought to be at the most senior levels.</p> <p>In respect of skills, expertise and background, the candidate should ideally complement the mix of core competencies of the Board as a whole including but not limited to business, legal and financial expertise, professional knowledge, information technology and financial industry experience.</p> <ul style="list-style-type: none"> <li>(ii) in the case of CEO, the candidate's knowledge and experience in the industry, market and segment and how this will bear on the performance of his/her duties;</li> <li>(iii) the candidate shall complete the F&amp;P Declaration in respect of his/her probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Bank shall conduct independent background checks to verify the information disclosed in the F&amp;P Declaration;</li> <li>(iv) the candidate is required to ensure that the financial obligation information reported in the BNM application form is accurate with cross reference made to his/her individual CCRIS report accordingly;</li> <li>(v) the candidate will be briefed on expectations on his role including his/her time commitment, the F&amp;P assessments to be conducted and general and specific contributions expected; and</li> <li>(vi) whether the candidate is required to attend appropriate training to strengthen any specific area of market knowledge/experience so as to close the gaps identified to be lacking.</li> </ul> |

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|   | <p>In evaluating any new appointment of senior management, the Bank is guided by the Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, religion and/or whether or not one has disability. Senior management positions are awarded based on qualifications, experience and potential.</p> <p>In general, the assessment and selection of senior management shall consider the following factors in determining role-profile fit:</p> <ul style="list-style-type: none"> <li>(a) skills, knowledge, expertise and industry experience;</li> <li>(b) past contribution and performance; and</li> <li>(c) character, professionalism and integrity.</li> </ul> <p>Each and every candidate for senior management role is required to go through a stringent screening process where the competencies and potential are assessed through a mix of interviews, aptitude test, competency and/or psychometric assessments in order to ensure the candidate has the right personal profile to be successful in the role.</p> <p>Pre-employment screening, in line with the Employee Screening Policy Document issued by BNM, are also performed to determine past performance track records, conduct, and behaviour of the selected candidate. In addition, all candidates for senior management roles are to submit their declaration on F&amp;P criteria during the selection process, where it addresses the following areas:</p> <ul style="list-style-type: none"> <li>(a) Probity, Personal Integrity and Reputation;</li> <li>(b) Competence and Capability; and</li> <li>(c) Financial Integrity.</li> </ul> <p>For senior management positions, final approval for hiring will be obtained from the CEO, on top of the review and approval of Hiring Manager and/or Division Heads and Human Resources to ensure hiring decisions are made objectively in the best interest of the Bank taking into account multiple perspectives and insights. Where required, Board's approval is also obtained for certain roles.</p> <p>Board and senior management appointments are also guided by policies that provide additional guiding mechanisms to support the fit and proper policy as named below:</p> <ul style="list-style-type: none"> <li>1. Employment Policy <ul style="list-style-type: none"> <li>➤ Employment Standard Operating Procedures ("SOP") : Employee Screening Procedures</li> <li>➤ Employee Account Monitoring Anti-Money Laundering/ Counter Financing of Terrorism SOP</li> </ul> </li> <li>2. Talent Management Policy <ul style="list-style-type: none"> <li>➤ Employment SOP : Recruitment</li> </ul> </li> </ul> |
| <b>Explanation for departure</b> :  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |  |

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| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |



**Intended Outcome**

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

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

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| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>The Board currently has eight (8) Directors, of whom three (3) are women directors.</p> <p>The Bank has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board will continue to maintain women participation on the Board in line with the Malaysian Code on Corporate Governance.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

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| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | In the search for suitable Board candidates, the Bank maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases, including databases for women directors. |  |
| <b>Explanation for departure</b>   | : |  |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

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

**Practice 4.7**

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

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| Application   | : | Applied   |  |
| Explanation on application of the practice  | : | The NC is chaired by an Independent Non-Executive Director. |  |
| Explanation for departure   | : |   |  |
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| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |   |  |
| Measure   | : |   |  |
| Timeframe   | : |   |  |

**Intended Outcome**

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

**Practice 5.1**

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

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

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| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | <p>A formal evaluation process has been put in place by the Board and the NC is delegated the authority to, inter alia, assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis ("Annual Board Assessment") in conjunction with the annual F&amp;P assessment of the Chairman, Directors and CEO per BNM Guidelines. The NC will deliberate on the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval.</p> <p>Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the Bank; the core skills, competencies and experience of the Directors; and the Board's integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees' composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities in accordance with the Board Committees' TOR and the contribution of Board Committee members. Each individual Director is assessed on inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgement as well as contributions towards the development of business strategies and direction of the Bank and analytical skills to the decision-making process are also taken into consideration.</p> <p>The NC will deliberate and present the results of the Annual Board Assessment to the Board. The results of the assessment form one of the criteria of the NC's recommendation to the Board for the re-election, re-appointment or retention of Directors.</p> |
| <b>Explanation for departure</b>   | : |  |
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| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : | The Board considers the Board Assessment described above to be effective for the Bank presently.   |

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| <b>Timeframe</b> | : | Others | The Board may consider engaging independent experts for the Annual Board Assessment as appropriate in the future. |
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**Intended Outcome**

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

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

**Practice 6.1**

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

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| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p><b>Directors</b></p> <p>The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.</p> <p>The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.</p> <p>The Remuneration Committee ("RC"), in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions of the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Bank at its Annual General Meeting ("AGM").</p> <p><b>Senior Management</b></p> <p><u>Remuneration Process</u></p> <p>The remuneration of senior management and material risk takers are presented and approved by the Board annually. The annual review process of management scorecards include formal review by Risk and Compliance to ensure adequate weightages are placed on risk and compliance related KPIs. Risk control objectives that are not met and any non-compliance will have significant consequence to remuneration decisions.</p> <p><u>Role of Board Risk Management Committee ("BRMC") in remuneration matters</u></p> <p>BRMC is tasked to review management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the RC.</p> |

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|  | <p><u>Deferred Compensation and Clawbacks</u></p> <p>Variable bonus awards for individuals in senior management position and in excess of a certain thresholds will be deferred over a period of time. Deferred compensation is applicable to some of the incentive schemes introduced in the Bank. The clawback mechanism is introduced to ensure excessive risk taking behaviour of staff is minimised and that the system does not induce excessive risk taking and sufficient control is in place. Periodic reviews as well as post-implementation reporting to the BRMC are carried out to examine the effectiveness of the schemes in driving the right behaviours in achieving business goals and that there are no adverse risk elements in the approved schemes. The clawbacks mechanism is triggered when there are non-compliances to regulations and policies.</p> <p>HLB Group ensures that its remuneration arrangements and practices are aligned with FTFC Policy and all relevant regulatory policies outcomes.</p> |  |
| <b>Explanation for departure</b> :   |  |  |
|  |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b> :   |  |  |
| <b>Timeframe</b> :   |  |  |
|  |  |  |

**Intended Outcome**

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

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

**Practice 6.2**

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Applied  |
| <b>Explanation on application of the practice</b>  | : | The Board has an RC, whose TOR deals with its authority, including inter alia recommending to the Board the framework and policies governing the remuneration of the Directors, CEO, senior management officers and other material risk takers.<br><br>The TOR of the RC is published on the Bank's Website. |
| <b>Explanation for departure</b>   | : |  |
|  |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : |  |
| <b>Timeframe</b>   | : |  |
|  |   |  |



### Intended Outcome

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

### Practice 7.1

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

| <b>Application</b>   | : Applied   |                         |  |                 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
|--|---|-------------------------|--|-----------------|--|--|-----------|--|-------------------------|--|-----------------|--------------------|--|--|--|--|-------------------|---|---|---|---|-------------------------|--|--|--|--|-----------------------------|---|---|---|---|------------------|---|---|---|---|------------------|----|-----|---|-----|--|----|-----|---|-----|---------------------------------------|----|-----|---|-----|-------------------|----|-----|---|-----|------------------|----|-----|---|-----|--------------|--------------|--------------|----------|--------------|----------|--|--|--|--|-----------|--|-------------------------|--|-----------------|--------------------|--|--|--|--|-------------------|---|---|---|---|-------------------------|--|--|--|--|-----------------------------|---|---|---|---|------------------|---|---|---|---|------------------|----|-----|---|-----|--|----|-----|---|-----|---------------------------------------|----|-----|---|-----|-------------------|----|-----|---|-----|------------------|----|-----|---|-----|--------------|--------------|--------------|----------|--------------|
| <b>Explanation on application of the practice</b>          | : <div><p>The remuneration of Directors (including the remuneration earned as Directors of subsidiaries) for the financial year ended 30 June 2021 is as follows:</p><table><tr><th colspan="5">The Group</th></tr><tr><th>Directors</th><th>Salaries, bonuses, allowances and defined contribution retirement plan<br/>RM'000</th><th>Director Fees<br/>RM'000</th><th>Estimated money value for benefits-in-kind<br/>RM'000</th><th>Total<br/>RM'000</th></tr><tr><td colspan="5">Executive Director</td></tr><tr><td>Mr Tan Kong Khoon</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td colspan="5">Non-Executive Directors</td></tr><tr><td>YBhg Tan Sri Quek Leng Chan</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Mr Kwek Leng Hai</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Ms Chok Kwee Bee</td><td>33</td><td>275</td><td>-</td><td>308</td></tr><tr><td>YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah</td><td>34</td><td>285</td><td>-</td><td>319</td></tr><tr><td>YBhg Datuk Dr Md Hamzah bin Md Kassim</td><td>34</td><td>358</td><td>-</td><td>392</td></tr><tr><td>Ms Chong Chye Neo</td><td>16</td><td>190</td><td>-</td><td>206</td></tr><tr><td>Ms Lau Souk Huan</td><td>38</td><td>275</td><td>-</td><td>313</td></tr><tr><td><b>Total</b></td><td><b>155 #</b></td><td><b>1,383</b></td><td><b>-</b></td><td><b>1,538</b></td></tr></table><br/><table><tr><th colspan="5">The Bank</th></tr><tr><th>Directors</th><th>Salaries, bonuses, allowances and defined contribution retirement plan<br/>RM'000</th><th>Director Fees<br/>RM'000</th><th>Estimated money value for benefits-in-kind<br/>RM'000</th><th>Total<br/>RM'000</th></tr><tr><td colspan="5">Executive Director</td></tr><tr><td>Mr Tan Kong Khoon</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td colspan="5">Non-Executive Directors</td></tr><tr><td>YBhg Tan Sri Quek Leng Chan</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Mr Kwek Leng Hai</td><td>-</td><td>-</td><td>-</td><td>-</td></tr><tr><td>Ms Chok Kwee Bee</td><td>33</td><td>275</td><td>-</td><td>308</td></tr><tr><td>YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah</td><td>34</td><td>285</td><td>-</td><td>319</td></tr><tr><td>YBhg Datuk Dr Md Hamzah bin Md Kassim</td><td>13</td><td>175</td><td>-</td><td>188</td></tr><tr><td>Ms Chong Chye Neo</td><td>16</td><td>190</td><td>-</td><td>206</td></tr><tr><td>Ms Lau Souk Huan</td><td>38</td><td>275</td><td>-</td><td>313</td></tr><tr><td><b>Total</b></td><td><b>134 #</b></td><td><b>1,200</b></td><td><b>-</b></td><td><b>1,334</b></td></tr></table></div> | The Group               |  |                 |  |  | Directors | Salaries, bonuses, allowances and defined contribution retirement plan<br>RM'000 | Director Fees<br>RM'000 | Estimated money value for benefits-in-kind<br>RM'000 | Total<br>RM'000 | Executive Director |  |  |  |  | Mr Tan Kong Khoon | - | - | - | - | Non-Executive Directors |  |  |  |  | YBhg Tan Sri Quek Leng Chan | - | - | - | - | Mr Kwek Leng Hai | - | - | - | - | Ms Chok Kwee Bee | 33 | 275 | - | 308 | YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah | 34 | 285 | - | 319 | YBhg Datuk Dr Md Hamzah bin Md Kassim | 34 | 358 | - | 392 | Ms Chong Chye Neo | 16 | 190 | - | 206 | Ms Lau Souk Huan | 38 | 275 | - | 313 | <b>Total</b> | <b>155 #</b> | <b>1,383</b> | <b>-</b> | <b>1,538</b> | The Bank |  |  |  |  | Directors | Salaries, bonuses, allowances and defined contribution retirement plan<br>RM'000 | Director Fees<br>RM'000 | Estimated money value for benefits-in-kind<br>RM'000 | Total<br>RM'000 | Executive Director |  |  |  |  | Mr Tan Kong Khoon | - | - | - | - | Non-Executive Directors |  |  |  |  | YBhg Tan Sri Quek Leng Chan | - | - | - | - | Mr Kwek Leng Hai | - | - | - | - | Ms Chok Kwee Bee | 33 | 275 | - | 308 | YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah | 34 | 285 | - | 319 | YBhg Datuk Dr Md Hamzah bin Md Kassim | 13 | 175 | - | 188 | Ms Chong Chye Neo | 16 | 190 | - | 206 | Ms Lau Souk Huan | 38 | 275 | - | 313 | <b>Total</b> | <b>134 #</b> | <b>1,200</b> | <b>-</b> | <b>1,334</b> |
| The Group  |   |                         |  |                 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Directors  | Salaries, bonuses, allowances and defined contribution retirement plan<br>RM'000  | Director Fees<br>RM'000 | Estimated money value for benefits-in-kind<br>RM'000 | Total<br>RM'000 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Executive Director   |   |                         |  |                 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Mr Tan Kong Khoon  | -   | -                       | -  | -               |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Non-Executive Directors                                    |   |                         |  |                 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| YBhg Tan Sri Quek Leng Chan                                | -   | -                       | -  | -               |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Mr Kwek Leng Hai   | -   | -                       | -  | -               |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Ms Chok Kwee Bee   | 33  | 275                     | -  | 308             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah | 34  | 285                     | -  | 319             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| YBhg Datuk Dr Md Hamzah bin Md Kassim                      | 34  | 358                     | -  | 392             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Ms Chong Chye Neo  | 16  | 190                     | -  | 206             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Ms Lau Souk Huan   | 38  | 275                     | -  | 313             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| <b>Total</b>   | <b>155 #</b>  | <b>1,383</b>            | <b>-</b>   | <b>1,538</b>    |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| The Bank   |   |                         |  |                 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Directors  | Salaries, bonuses, allowances and defined contribution retirement plan<br>RM'000  | Director Fees<br>RM'000 | Estimated money value for benefits-in-kind<br>RM'000 | Total<br>RM'000 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Executive Director   |   |                         |  |                 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Mr Tan Kong Khoon  | -   | -                       | -  | -               |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Non-Executive Directors                                    |   |                         |  |                 |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| YBhg Tan Sri Quek Leng Chan                                | -   | -                       | -  | -               |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Mr Kwek Leng Hai   | -   | -                       | -  | -               |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Ms Chok Kwee Bee   | 33  | 275                     | -  | 308             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah | 34  | 285                     | -  | 319             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| YBhg Datuk Dr Md Hamzah bin Md Kassim                      | 13  | 175                     | -  | 188             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Ms Chong Chye Neo  | 16  | 190                     | -  | 206             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| Ms Lau Souk Huan   | 38  | 275                     | -  | 313             |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |
| <b>Total</b>   | <b>134 #</b>  | <b>1,200</b>            | <b>-</b>   | <b>1,334</b>    |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |          |  |  |  |  |           |  |                         |  |                 |                    |  |  |  |  |                   |   |   |   |   |                         |  |  |  |  |                             |   |   |   |   |                  |   |   |   |   |                  |    |     |   |     |  |    |     |   |     |                                       |    |     |   |     |                   |    |     |   |     |                  |    |     |   |     |              |              |              |          |              |

|   |   |  |
|---|---|--|
|   | # Directors' meeting allowances   |  |
|   | During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' & Officers' Liability Insurance in respect of liabilities arising from acts committed in their capacity as, inter alia, Directors and Officers of the Group and the Bank subject to the terms of the policy. The total amount of Directors' & Officers' Liability Insurance effected for the Directors & Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' & Officers' Liability Insurance by the Group and the Bank was RM65,198 and RM55,071 respectively. |  |
| Explanation :<br>for departure  |   |  |
|   |   |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |  |
| Measure :   |   |  |
| Timeframe :   |   |  |

**Intended Outcome**

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

**Practice 7.2**

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

|  |   |   |   |
|--|---|---|---|
| <b>Application</b>   | : | Departure   |   |
| <b>Explanation on application of the practice</b>  | : |   |   |
| <b>Explanation for departure</b>   | : | The Board is of the view that it is not in the interest of the Bank to disclose the detailed remuneration of senior management on a named basis given the highly competitive market for talent in the industry.   |   |
|  |   | As an alternative, the Bank has made qualitative and quantitative disclosure of the remuneration framework for senior management and other employees of the Bank as disclosed in the Corporate Governance (“CG”) Overview Statement in the Annual Report and Section B of this CG Report. |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |   |
| <b>Measure</b>   | : | The Board will monitor the market practice on such disclosure practice.   |   |
| <b>Timeframe</b>   | : | Others  | The Board may consider in the future as appropriate taking into consideration the market practice and interest of the Bank in relation to competition for talent as explained above |

**Intended Outcome**

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

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

|  |   |   |
|--|---|---|
| <b>Application</b>                             | : | Not Adopted<br><br>The Board may consider in the future as appropriate taking into consideration the market practice and interest of the Bank in relation to competition for talent as explained above. |
| <b>Explanation on adoption of the practice</b> | : |   |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.1**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Chairman of the Board Audit Committee ("BAC"), an Independent Non-Executive Director, is not the Chairman of the Board. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.2**

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

|   |   |   |  |
|---|---|---|--|
| Application   | : | Applied   |  |
| Explanation on application of the practice  | : | <p>The Bank, being a financial institution, adheres to the CG policy document of BNM, which provides that the officers or partners of the firm of external auditors of the Bank must not serve or be appointed as a Director of the Bank until at least 2 years after cessation as an officer or partner of that firm or the firm last served as an external auditor of the Bank. This requirement is observed by the Bank in its consideration for potential candidates of the Board and BAC.</p> <p>In this regard, none of the BAC members were officers or partners of the external auditors.</p> |  |
| Explanation for departure   | : |   |  |
|   |   |   |  |
| Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below. |   |   |  |
| Measure   | : |   |  |
| Timeframe   | : |   |  |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.3**

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

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The role of the BAC in relation to the external auditors is guided by its TOR. BAC is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, reappointment, remuneration or termination of the external auditors.</p> <p>In accordance with BNM's Guidelines on External Auditor, the assessment on suitability, objectivity and independence of the external auditors, is being conducted annually, covering the following areas:</p> <ul style="list-style-type: none"> <li>(i) Level of knowledge, capabilities, experience and quality of previous work;</li> <li>(ii) Level of engagement with BAC;</li> <li>(iii) Ability to provide constructive observations, implications and recommendations in areas which require improvements;</li> <li>(iv) Adequacy in audit coverage, effectiveness in planning and conduct of audit;</li> <li>(v) Ability to perform the audit work within the agreed timeframe;</li> <li>(vi) Non-audit services rendered by external auditors does not impede independence;</li> <li>(vii) Ability to demonstrate unbiased stance when interpreting the standards/policies adopted by the Bank; and</li> <li>(viii) Risk of familiarity in respect of the external auditors' re-appointment as external auditor.</li> </ul> <p>In addition, the Bank had established the Policy on the Use of External Auditors for Non-Audit Services as one of the measures to safeguard the independence and objectivity of external auditors. BAC reviews the non-audit services rendered by the external auditors and their related fees prior to the approval of the services. The review also takes into account the non-audit fees threshold established under the Policy to ensure their independence and objectivity are not compromised.</p> |
| <b>Explanation for departure</b>   | : |   |
|  |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |

|                  |   |  |  |
|------------------|---|--|--|
| <b>Timeframe</b> | : |  |  |
|------------------|---|--|--|



**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

|  |   |  |
|--|---|--|
| <b>Application</b>                             | : | Adopted  |
| <b>Explanation on adoption of the practice</b> | : | All the BAC members of the Bank are Independent Non-Executive Directors. |

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.5**

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

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

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The BAC members collectively possess the necessary skills and knowledge to discharge their duties and are financially literate. The profile of each BAC member is set out in the Annual Report 2021.</p> <p>To keep abreast of latest changes and developments in the business environment and to enhance their skills and knowledge, the BAC members attended various briefings, updates and training programmes as set out in the Annual Report 2021 of the Bank.</p> |  |
| <b>Explanation for departure</b>   | : |  |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

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

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

**Practice 9.1**

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

|   |   |  |  |
|---|---|--|--|
| <b>Application</b>  | : | Applied  |  |
| <b>Explanation on application of the practice</b>   | : | <p>The Board recognises its overall responsibility in identifying principal risks and ensuring the implementation of appropriate systems to manage those risks. To discharge its oversight responsibilities more effectively, the Board has delegated the independent oversight over risk management to the BRMC, BAC and Board Information and Technology Committee ("BITC"). Although the Board has granted such authority to BRMC, BAC and BITC, the ultimate responsibility and the final decision rest with the Board.</p> <p>The Board has established and maintained a Risk Management Framework appropriate to the operations of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The controls built into the Risk Management Framework of the Group are designed to ensure that all relevant and significant risks are identified and managed as part of the risk management process and are not intended to eliminate all risks of failure to achieve business objectives. Therefore, the system provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.</p> <p>The Statement on Risk Management and Internal Control in the Bank's Annual Report 2021 provides further details on the state of system of internal controls and risk management framework of the Group in financial year 2021.</p> |  |
| <b>Explanation for departure</b>  | : |  |  |
| <p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p> |   |  |  |
| <b>Measure</b>  | : |  |  |
| <b>Timeframe</b>  | : |  |  |

**Intended Outcome**

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

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

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | The Board has disclosed features of its risk management and internal control framework, and the adequacy and effectiveness of this framework in the Statement on Risk Management and Internal Control in the Bank's Annual Report 2021. |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

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

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

|  |   |  |
|--|---|--|
| <b>Application</b>                             | : | Adopted  |
| <b>Explanation on adoption of the practice</b> | : | <p>The Board has established a BRMC, which comprises three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of BRMC is appointed by the Board of Directors, and is not the Chairman of the Board of Directors. BRMC supports the Board in providing oversight over risk management activities of the Group to ensure that the risk management function is effective.</p> <p>The composition of BRMC, profile of each member and TOR are set out on the Bank's Website.</p> |

**Intended Outcome**

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

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

|  |   |   |
|--|---|---|
| <b>Application</b>   | : | Applied   |
| <b>Explanation on application of the practice</b>  | : | <p>The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the HLB Group. GIAD regularly reviews the critical operations (as defined in BNM Guidelines on Internal Audit Function of Licensed Institutions) and critical controls in the Information Technology environment (as outlined in BNM GPIS) of the Group to ensure that the internal controls are in place and working effectively.</p> <p>The GIAD is an independent function where the Chief Internal Auditor ("CIA"), reports directly to the BAC. The BAC had engaged privately with the CIA twice within the financial year, without the presence of Management, to provide the opportunity for the CIA to discuss issues faced by the internal audit department. The BAC had evaluated the performance of the CIA, including providing feedback on the internal audit department.</p> <p>BAC had endorsed the GIAD's Audit Charter, which was approved by the Board. The Audit Charter defines the mission, authority, scope of work, organisational status, accountability, independence and objectivity, responsibilities, and the professional proficiency and ethics of the GIAD.</p> <p>All audit reports issued by GIAD are tabled to every BAC meeting, highlighting key audit issues and corrective action plans taken and its status at reporting date, and root cause analysis of findings raised. Follow-up actions and the review of the status of corrective action plans are carried out by Management via the Risk and Compliance Governance Committee ("RCGC") chaired by the CEO, whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.</p> <p>For further information, please refer to Pages 112 to 114 of the BAC Report.</p> |
| <b>Explanation for departure</b>   | : |   |
|  |   |   |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |
| <b>Measure</b>   | : |   |
| <b>Timeframe</b>   | : |   |

### Intended Outcome

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

### Practice 10.2

The board should disclose–

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

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p><b>a) Independence and Objectivity</b><br/>The Bank's GIAD reports directly and functionally to the BAC. In performing its internal audit functions, GIAD has no direct responsibility or authority over any of the functions it reviews and audits.</p> <p>The GIAD is guided by its Audit Charter which defines the organisational status, accountability, independence and objectivity, responsibilities, the professional proficiency and ethics.</p> <p>The BAC is responsible for deciding on the appointment, remuneration, appraisal, transfer and dismissal of GIAD's CIA, and to provide oversight on the adequacy of resources.</p> <p>The BAC had engaged privately with the CIA twice within the financial year, without the presence of Management, to provide the opportunity for the CIA to discuss issues faced by the internal audit department.</p> <p><b>b) Internal Audit Resources</b><br/>As at 30 June 2021, GIAD has a head count of 58 staff.</p> <p><b>c) CIA</b><br/>The CIA, Mr Chua Yew Lim has more than 16 years' experience of internal audit in the financial industry. He has a Bachelor of Commerce Degree (Accounting &amp; Information Systems) and is a Certified Information Systems Auditor (CISA). He also obtained a Certificate in Islamic Law.</p> <p><b>d) Internal Audit Framework</b><br/>GIAD is guided by the requirements as stipulated in the BNM guidelines on Internal Audit Function of Licenced Institutions ("BNM GL13-4") and the International Professional Practices Framework of IIA.</p> <p>For further information, please refer to Pages 112 to 114 of the BAC Report.</p> |
| <b>Explanation for departure</b>                  | : |   |
|   |   |   |

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

|                  |   |  |  |
|------------------|---|--|--|
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b> | : |  |  |



**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

|   |   |   |
|---|---|---|
| <b>Application</b>                                | : | Applied   |
| <b>Explanation on application of the practice</b> | : | <p>The Board acknowledges the importance of having effective communication with its stakeholders. In addition to the filings and announcements with Bursa Malaysia Securities Berhad ("Bursa"), the Bank also uses various communication channels to update shareholders and general public:</p> <p><b>I) <u>Corporate Website</u></b><br/>Our corporate website at '<a href="http://www.hlb.com.my">www.hlb.com.my</a>' is a major channel and it provides easy access of relevant information to our shareholders and other stakeholders which include corporate information, board charter, capital &amp; debt instruments, credit rating, press releases, quarterly financial statements, analyst briefings/presentations and Annual Reports.</p> <p><b>II) <u>Analyst Briefings</u></b><br/>The Bank holds separate quarterly briefings for fund managers, institutional investors and investment analysts after the announcement of each quarterly results to Bursa. The quarterly briefings are intended not only to promote the dissemination of the financial results of the Bank to fund managers, investors and shareholders but to also keep the investing public community updated on the progress and development of the Bank's initiatives.</p> <p><b>III) <u>Media Releases</u></b><br/>In addition to analyst briefings, the Bank also holds press conferences for the half year ended December and full year ended June results as well as issuing press releases for the September and March results to capture a wider scope of stakeholders, which include shareholders and the general public. Members of the media are also invited during the year to provide coverage on various banking activities and initiatives launched by the Bank.</p> <p><b>IV) <u>Annual General Meeting ("AGM")</u></b><br/>The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the HLB Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.</p> <p><b>V) <u>Dedicated Person to Handle Shareholders' and Investors' Queries</u></b><br/>Shareholders and investors have a channel of communication with the following persons to direct queries and provide feedback to the HLB Group.</p> |

|  |  |  |
|--|--|--|
|  | <p>GENERAL MANAGER, COMMUNICATION &amp; CSR<br/>         Tel No. : 03-2081 8888 ext. 61914<br/>         Fax No. : 03-2081 7801<br/>         e-mail address : <a href="mailto:capr@hongleong.com.my">capr@hongleong.com.my</a></p> <p>HEAD, CORPORATE FINANCE &amp; INVESTOR RELATIONS<br/>         Tel No. : 03-2081 2972<br/>         Fax No. : 03-2081 8924<br/>         e-mail address : <a href="mailto:IR@hlbb.hongleong.com.my">IR@hlbb.hongleong.com.my</a></p> |  |
| <b>Explanation for departure</b>   |  |  |
|  |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |  |  |
| <b>Measure</b>   |  |  |
| <b>Timeframe</b>   |  |  |

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

|  |   |  |
|--|---|--|
| <b>Application</b>   | : | Departure  |
| <b>Explanation on application of the practice</b>  | : |  |
| <b>Explanation for departure</b>   | : | The Group takes an incremental approach towards integrated reporting and intends to gradually move towards a more integrated approach of reporting from its existing reporting structure.  |
|  | : | The Bank continuously enhances its Annual Report in order to improve its communication with its stakeholders with regards to the Bank's financial results, business performance and operations of the HLB Group.                           |
|  | : | The information disclosed in the Annual Report is in line with current regulatory and statutory guidelines and the principles which underpin integrated reporting that include the Bank's strategy, governance, performance and prospects. |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |
| <b>Measure</b>   | : | The Bank will continually enhance the content of the Annual Report to improve our communication to our stakeholders.   |
| <b>Timeframe</b>   | : | Others   |
|  | : | The Bank will monitor the market practice and any developments in respect of integrated reporting for future consideration.  |

**Intended Outcome**

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

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | The Bank gives 28 days' notice to its shareholders for AGMs. |  |
| <b>Explanation for departure</b>   | : |  |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

**Intended Outcome**

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

**Practice 12.2**

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

|  |   |   |  |
|--|---|---|--|
| <b>Application</b>   | : | Applied   |  |
| <b>Explanation on application of the practice</b>  | : | <p>All Directors attended the 79<sup>th</sup> Annual General Meeting of the Bank held on 30 October 2020, which was held virtually, to engage with shareholders and be accountable for their stewardship of the Bank.</p> <p>The Chair of Board Committees are aware of their respective scope of responsibilities and will respond to questions addressed to them at General Meetings.</p> |  |
| <b>Explanation for departure</b>   | : |   |  |
|  |   |   |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |   |  |
| <b>Measure</b>   | : |   |  |
| <b>Timeframe</b>   | : |   |  |

**Intended Outcome**

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

**Practice 12.3**

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

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

|  |   |  |  |
|--|---|--|--|
| <b>Application</b>   | : | Applied  |  |
| <b>Explanation on application of the practice</b>  | : | <p>The 79<sup>th</sup> AGM of the Bank held on 30 October 2020 was conducted in full virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors and the CEO attended the AGM either physically or virtually to engage with shareholders and address issues of concern raised by the shareholders.</p> <p>With the RPV facilities, shareholders were able to exercise their right as members of the Bank to participate (including posing questions to the Board and/or Management of the Bank before or during the AGM) and vote at the 79<sup>th</sup> AGM. Member, who was unable to attend the 79<sup>th</sup> AGM, was able to appoint a proxy or the Chairman of the meeting as his/her proxy to attend the AGM via RPV facilities.</p> |  |
| <b>Explanation for departure</b>   | : |  |  |
|  |   |  |  |
| <i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i> |   |  |  |
| <b>Measure</b>   | : |  |  |
| <b>Timeframe</b>   | : |  |  |

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

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

**The following disclosure requirements under Appendix 4 of the Corporate Governance policy document of Bank Negara Malaysia are set out in the Annual Report 2021 of the Bank and/or Board Charter, which is published on the Bank's Website:**

### **Board of Directors – Composition**

- Name and designation of each Director;
- Key personal details and background of each Director including relevant experience, any shareholding in the Bank and external professional commitments;
- Chairman and members of each Board Committee;
- Changes to the Board composition of HLB during the financial year;
- Training and education provided to the Board;
- Number of meetings convened by the Board and each Board Committee.

### **Board of Directors – Function and Conduct**

- Roles and responsibilities of the Board and Board Committees;
- Attendance of each Director at Board and Board Committee meetings during the financial year

### **Internal Control Framework – Overview**

The Internal Control Framework is set out in the Statement on Risk Management and Internal Control in the Annual Report 2021.

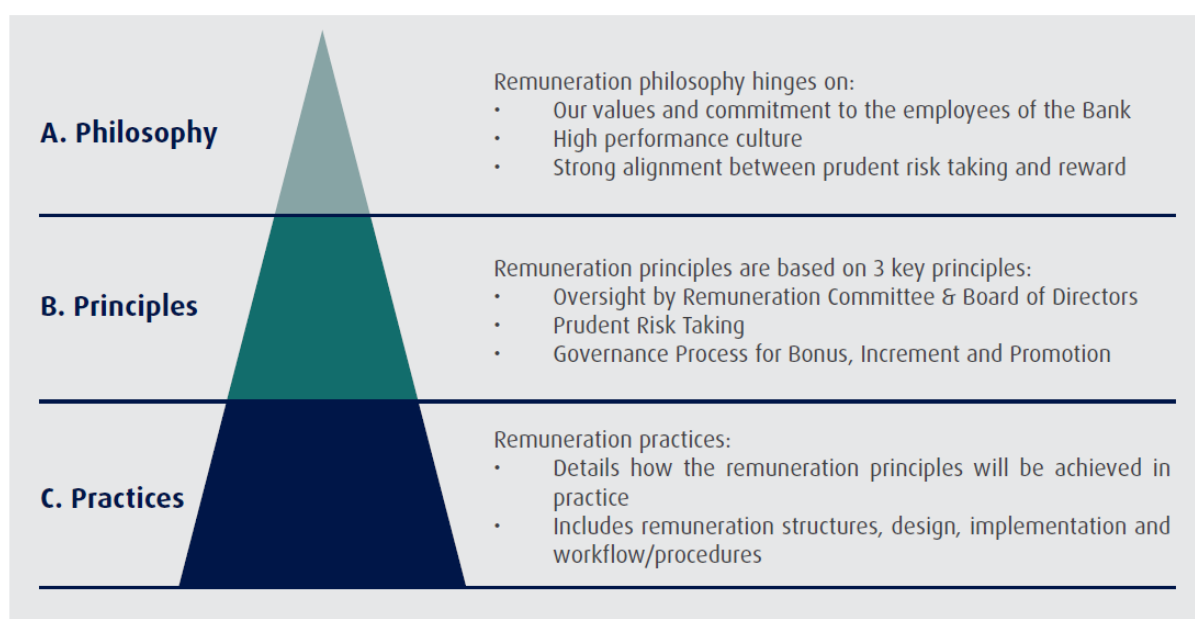
### **Remuneration – Qualitative Disclosures**

#### **Remuneration Philosophy & Framework**

The remuneration strategy of HLB Group supports and promotes a high performance culture to deliver the Bank's Vision to be a highly digital & innovative ASEAN financial services company. It also forms a key part of the Bank's Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process that incorporates meritocracy in performance, HLB values, prudent risk-taking and key behaviours in accordance to the Bank's Code of Conduct and risk and compliance management as part of the key performance indicators for remuneration decisions.

## Overview of Remuneration Policy Framework



### Guiding Principles

#### Principle 1 — Oversight by Remuneration Committee & Board of Directors

The Remuneration Committee's (RC) responsibilities are to recommend to the Board the framework and policies that govern the remuneration of the Directors, Shariah Committee, Chief Executive Officer, senior management officers and other material risk takers. The RC ensures that the remuneration system is in line with the business and risk strategies, corporate values and long-term interests of the Bank and that it has a strong link between rewards and individual performance and is periodically benchmarked to market/industry. The Board must ensure that the corporate governance disclosures on remuneration are accurate, clear, and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

#### Principle 2 — Prudent Risk Taking

Remuneration for employees within the Bank must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement.

#### Principle 3 — Governance Process for Bonus, Increment and Promotion ("BIP")

The Bank has established an end-to-end BIP process to ensure proper governance and sufficient control is in place. Provision for variable remuneration is tied to the performance of the Bank and the pool is allocated according to the performance of each business unit. To safeguard the independence and authority of individuals engaged in control functions, the Bank ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee. No increment and bonus is accorded to an employee with performance rating 1 or 2 or if the employee has tendered his/her resignation. Additionally, the Bank has the discretion to impose an employment bond on employees who have received salary adjustments outside of the BIP cycle.



## Remuneration Practices

### - Measurement of Performance

The Bank's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as risk, audit and compliance positions.

For each employee, performance is tracked through Key Result Areas ("KRAs") in a balanced scorecard. It focuses on the achievement of key objectives which are aligned to value creation for the Bank's shareholders and multiple stakeholders. At the end of the year, performance of the employee is assessed through the performance management framework which is based on 70% of KRAs (with mandatory weightage for Compliance and Training) and 30% of HLB Values.

The Bank shall ensure the performance measure of the employee promotes the Bank's core values and desired conduct and behaviour to achieve Fair Treatment of Financial Consumers ("FTFC") and all relevant regulatory policies outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC and all relevant regulatory policies outcomes.

Every senior management officer has a responsibility to embed sustainability in all initiatives in their division. This is linked to performance considerations and in turn, total remuneration received.

### - Pay Mix Delivery and its Purpose

The overall total compensation for the CEO and members of the Senior Management team generally includes base pay, fixed cash allowances, performance-based variable pay, long term incentives, benefits and other employee programmes.

#### 1. Fixed Pay (base pay and fixed cash allowances)

Fixed pay is delivered at an appropriate level taking into account skills, experience, responsibilities, competencies and performance; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.

#### 2. Performance-based variable pay

Performance-linked variable pay in the form of bonuses is paid out at the end of the financial year subject to the Bank's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for the Bank's shareholders and multiple stakeholders. A robust key performance indicators setting process that incorporates risk management as part of the scorecards is also in place to ensure excessive risk taking behaviours of staff are minimised and sufficient control mechanism is in place. Variable bonus awards for individuals in senior management position and in excess of a certain thresholds will be deferred over a period of time.

#### 3. Long term incentives

In addition, the Bank also recognises and rewards individuals for their contributions towards the Bank's long-term business achievements (both in qualitative and quantitative measures) through a combination of cash and non-cash (i.e. shares or share-linked instruments) elements that are subject to partial deferment over a period of time (typically over a few years) with built-in clawback mechanism.

The clawback mechanism can be triggered when there are non-compliances to regulations and policies and where Management deemed necessary due to achievements of performance targets that are not sustainable. Clawbacks are typically (and not limited to) applied in the case of Gross Misconduct, Financial Misstatements, Material Risks and/or Malfeasance of Fraud.

The variable portion of remuneration (both Performance-based variable pay and long term incentives) increases along with the individual's level of accountability. By subjecting an adequate portion of the variable remuneration package to forfeiture, it takes into account potential financial risks that may crystalize over a period of time, reinforces HLB's corporate and risk culture in promoting prudent risk taking behaviours.

#### 4. Employee Benefits and Programmes

Employee benefits (e.g. screening, health and medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of the employees. These are being reviewed annually to ensure HLB remains competitive in the industry and that the employees are well taken care of.

### Remuneration – Quantitative Disclosures

The following depicts the total value of remuneration awarded to the CEO, Senior Management team and Material Risk Takers for the financial year ended 30 June 2021 ("FYE 2021")

| GMD/CEO, Senior Management and Material Risk Takers | No. of officers received | Unrestricted (RM) | Deferred (RM) | Total amount of outstanding deferred remuneration as at 30.6.2021 (RM) | Total amount of outstanding deferred remuneration paid out (vested) in FYE 2021 (RM) |
|---|--------------------------|-------------------|---------------|--|--|
| <b>Fixed Remuneration</b>                           |                          |                   |               |  |  |
| <i>Cash-based</i>                                   | 30                       | 31,117,252        |               | -  | -  |
| <i>Shares and share-linked instruments</i>          | -                        | -                 | -             | -  | -  |
| <i>Other</i>  | -                        | -                 | -             | -  | -  |
| <b>Variable Remuneration</b>                        |                          |                   |               |  |  |
| <i>Cash-based</i>                                   | 30                       | 22,905,617        | 3,502,440     | 5,245,216  | 2,041,903  |
| <i>Shares and share-linked instruments</i>          | 27                       | -                 | 3,408,857     | 5,032,273  | 4,362,335  |
| <i>Other</i>  | -                        | -                 | -             | -  | -  |

Note: The value of share is based on the valuation used for MFRS 2 Accounting.