

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 5819  
**COMPANY NAME** : Hong Leong Bank Berhad  
**FINANCIAL YEAR** : June 30, 2024

### **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 TO 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("<b>Board</b>") of Hong Leong Bank Berhad ("<b>HLB</b>" or "<b>Bank</b>") assumes responsibility for effective stewardship and control of the Bank and has established terms of reference ("<b>TOR</b>") 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 is reviewed annually by the Board and published on the Bank's website, '<a href="http://www.hlb.com.my">www.hlb.com.my</a>' ("<b>the Bank's Website</b>"). The Board Charter was last reviewed in September 2024. 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 ("<b>BNM</b>") as specified in guidelines and circulars issued by BNM from time to time.</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**

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman helms the Board. He leads the Board and ensures its smooth and effective functioning.</p> <p>The responsibilities of the Chairman are set out in the Board Charter, which is published on the Bank's Website.</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**

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>There is a clear division of responsibilities between the Chairman of the Board and the Group Managing Director/Chief Executive Officer ("GMD/CEO"). This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.</p> <p>The Chairman of the Board is YBhg Tan Sri Quek Leng Chan and the GMD/CEO is Mr Lam Sai Yoke.</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

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 Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman of the Board of HLB is not a member of the Board Audit Committee (" <b>BAC</b> "), Nomination Committee (" <b>NC</b> ") or Remuneration Committee (" <b>RC</b> ") of HLB.
<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**

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**

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

Application	:	Applied	
Explanation on application of the practice	:	The Board is supported by the Company Secretary who is qualified to act under Section 235 of the Companies Act 2016. He is Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and holds practicing certificate issued by Companies Commission of Malaysia (“CCM”). 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 with inter alia, regulatory requirements, company law and corporate governance requirements and best practices.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 1.6**

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.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Prior to Board and Board Committee 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>	:		
<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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Charter sets out the responsibilities of the Board and Board Committees, the Chairman, GMD/CEO and individual directors, matters reserved and delegated by the Board and proceedings of Directors.</p> <p>The Board Charter is subject to periodic review by the Board or at least once annually and published on the Bank's Website. The last review of the Board Charter by the Board was carried out in September 2024.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### Intended Outcome

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

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

### Practice 3.1

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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board observes the new Code of Ethics for Directors established by the Bank in September 2024, which was developed based on the new Code of Ethics for Company Director issued by CCM, with adjustments made to align with the pertinent regulations of BNM, the Securities Commission Malaysia, and Bursa Malaysia Securities Berhad ("<b>Bursa Malaysia</b>").</p> <p>Hong Leong Bank Group ("<b>HLB Group</b>" or "<b>HLBG</b>") 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 the Bank operate – including but not limited to permanent, part-time and temporary employees;</li><li>• Board 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 seven key pillars to the HLB Group Code of Conduct &amp; Ethics:</p> <ul style="list-style-type: none"><li>• Competence</li><li>• Compliance</li><li>• Integrity</li><li>• Fairness</li><li>• Confidentiality</li><li>• Objectivity</li><li>• Work Environment.</li></ul> <p>The new Code of Ethics for Directors and the Code of Conduct &amp; Ethics for employees 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>• 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 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 genuine 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>	:	
<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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>HLBG has in place the HLBG Whistleblowing Policy to provide an avenue for:</p> <p>(a) all employees 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 ("<b>Improper Conduct</b>") that is committed involving the Bank and/or the Bank's employees and business partners through the HLBG's whistleblowing channels 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>	:	
<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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.1**

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Sustainability continues to be a core focus area, integrating its various requirements into all aspects of HLB business activities to promote sustainability and contribute towards building a vibrant and sustainable ecosystem.</p> <p>HLB's approach to sustainability is overseen by the Board, who are responsible for providing oversight of the Bank's strategic measures to manage Environmental, Social, and Governance ("<b>ESG</b>") risks and opportunities including climate-related actions and policies. The Board, together with the Board Risk Management Committee ("<b>BRMC</b>"), ensure that all sustainability initiatives and policies are aligned with business objectives and consistent with the Bank's values.</p> <p>A Sustainability Committee which is chaired by the Chief Financial Officer and its members consists of GMD/CEO and senior management, is in place to act as the main enabler of the Bank's sustainability strategies and initiatives. The Group Sustainability Division is responsible for the coordination and monitoring of the Bank's sustainability efforts, while the Sustainability Risk Department within Group Risk Management reviews and validates the progress of the initiatives and the risks thereof from a second line of defense perspective.</p> <p>There are 5 core Sustainability Themes with 16 Material Topics to guide HLB's strategic efforts towards managing ESG risks and opportunities.</p> <p>A detailed Sustainability Report is published on the Bank's Website.</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**

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.2**

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of having continuous and meaningful communication with the Bank's stakeholders on its sustainability strategies, priorities, performance and commitments.</p> <p>HLB communicates frequently with its stakeholders through various channels of communications in raising awareness on the importance of environmental and social impacts as well as the Bank's constant evolving priorities in managing ESG risks and opportunities. The Bank's sustainability website provides information on HLB sustainability actions and programmes as well as ESG-related frameworks and policies. The Bank's social media platforms consistently update customers with information on its sustainability journey and ESG solutions offerings.</p> <p>The Sustainability Report 2024 and Sustainability Statement in HLB Annual Report 2024 provide comprehensive information on HLB's sustainability management and performance as well as providing insights into HLB's ESG strategies, performance, initiatives, commitments and targets.</p> <p>HLB consistently communicates its ESG and Sustainability efforts and initiatives with shareholders and investors through quarterly briefing, emails, meetings (physical and virtual), teleconferencing and annual general meeting, as part of HLB's regular investor relation interactions. HLB provides prompt feedback to their request of information, and has in-depth discussions with the investors, to increase mutual understanding on ESG-related matters.</p> <p>Employees are the primary internal stakeholder as they play a defining role in the daily operations of HLB. Thus, effective internal communication and active employee engagement through annual Sustainability Month are essential in ensuring that the employees embrace HLB's direction towards sustainable business growth.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.3**

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year 2024, the Board had participated in various training programmes to keep abreast of latest developments relating to sustainability, including climate-related risks and opportunities.</p> <p>The training programmes and briefings attended by the Directors included the following:</p> <ul style="list-style-type: none"> <li>• Asia School of Business (“<b>ASB</b>”) - Board Oversight of Climate Risks and Opportunities</li> <li>• FIDE Forum - National Climate Governance Summit 2023 by Climate Governance Malaysia</li> <li>• KPMG – International Sustainability Standards Board (ISSB) Standards: Understanding what they mean for global companies</li> <li>• Institute of Corporate Directors Malaysia (“<b>ICDM</b>”) – Mandatory Accreditation Programme (MAP) Part II on Sustainability for Directors: Leading for Impact</li> <li>• ASB – ESG and Islamic Finance: Implications for Boards and Corporate Governance</li> <li>• Malaysian Institute of Accountants - Integrating ESG into Organisational Financial Reporting Framework</li> </ul> <p>In addition, during the financial year 2024, the BRMC deliberated on the progress of the Bank’s adoption of BNM’s Climate Change &amp; Principle-based Taxonomy (CCPT), Climate Risk Management and Scenario Analysis (CRMSA) and Climate Risk Stress Testing (CRST) Methodology Paper, as well as the enhancements to ESG-related assessment and initiatives.</p> <p>In discharging its oversight responsibilities related to climate-related risks, the BRMC has set a risk appetite statement on climate change resiliency, as the Bank progresses in developing appropriate risk metrics to support the management, disclosures, and mitigation of climate-related risks, while also ensuring compliance with regulatory expectations.</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**

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.4**

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of the Bank is responsible for providing oversight of the Bank's strategic measures to manage ESG risks and opportunities including climate change-related actions and policies. The Annual Board Assessment of the Bank for the financial year ended 30 June 2024 include an assessment on adequacy of the Directors' skill sets and experience in ESG areas, adequacy of the Board's knowledge on ESG concerns to oversee the conduct of business and effectiveness of the Board in ensuring principal risks of the Bank, including ESG risks, are identified and adequate risk management framework is in place to manage these risks. The Board also participated in the Materiality Assessment alongside other key stakeholders as an exercise to strategise and prioritise concerted efforts for the Bank's current and forward-looking sustainability strategy.</p> <p>The performance evaluation of Senior Management is determined by key performance indicators such as behaviours in accordance with HLB Code of Conduct &amp; Ethics, risk and compliance, meritocracy in performance, prudent risk-taking, selected ESG performance and HLB values.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

*Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.*

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>HLB's sustainability strategic priorities are set by the Board, which is responsible for ensuring sound governance and effective oversight of the Bank's Sustainability Strategy. The BRMC reviews the management's implementation of the Bank's sustainability strategy.</p> <p>The Sustainability Committee chaired by the Chief Financial Officer and consists of GMD/CEO and senior management, acts as an enabler to the Bank's sustainability initiatives as well as managing and mitigating identified ESG risks which includes physical and transition risks. The Sustainability Working Committee ("<b>SWC</b>") chaired by the Chief Sustainability Officer, steers and executes the Bank's sustainability strategies including climate-related ones. The Bank's sustainability governance structure is coordinated and supported by the Group Sustainability Division and the Sustainability Risk Department within Group Risk Management. Both Group Sustainability Division and the Sustainability Risk Department provide periodic reporting to the BRMC on execution status as well as the results attained.</p>

**Intended Outcome**

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

**Practice 5.1**

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>The NC conducts annual review of the composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies and adequacy of balance between Executive Director, Non-Executive Directors and Independent Non-Executive Directors.</p> <p>The NC also assesses the performance of Director who is subject to re-election at the annual general meeting and upon satisfactory evaluation of the Director's performance and contribution to the Board, recommendation will be submitted to the Board for decision to table the resolution on the re-election of the Director concerned for shareholders' approval at the annual general meeting.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 5.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board of the Bank comprises a majority Independent Directors.	
<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**

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

**Practice 5.3**

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - Step Up 5.4 adopted	
<b>Explanation on application of the practice</b>	:		
<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**

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

**Practice 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
<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 (" <b>Tenure Policy</b> ") under the Fit and Proper (" <b>F&amp;P</b> ") Policy for Directors and CEO. Pursuant to the 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 5.5**

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Bank has in place a F&amp;P policy for Directors and Chief Executive Officer (“CEO”) as a guiding mechanism and framework for appointment of the Board and the GMD/CEO. The F&amp;P policy for Directors and CEO 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/ experience to enhance the Board’s overall effectiveness;</li> </ul> <p>The 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 GMD/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> </ul>

	<p>(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.</p> <p>As part of the nomination and selection process of potential candidates for appointment to the Board of the Bank, the shortlisted candidates will be engaged to gauge their willingness and ability to ensure sufficient time commitment for discharging their statutory and fiduciary duties as directors if appointed, in addition to the assessment on their experience, skills and suitability.</p> <p>With reference to devotion of required time by appointed Directors to serve the Board effectively, the Directors shall devote sufficient time and effort to carry out their responsibilities and enhance the professional skills, and the Directors shall ensure that they do not hold more than five (5) directorships in public listed companies as stated in the Board Charter of the Bank.</p> <p>During the 2024 Board Annual Assessment, the Board had reviewed and was satisfied with the level of time commitment given by all Directors in discharging their duties and responsibilities. All Directors' attendances at the respective meetings of the Board and Board Committees held during the financial year 2024 are set out in the Corporate Governance Overview Statements of the Annual Report 2024.</p> <p>In evaluating any new appointment of senior management, 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, is 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 GMD/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>
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	<p>Senior management appointments are also guided by policies that provide additional guiding mechanisms to support the fit and proper policy as named below:</p> <ol style="list-style-type: none"> <li>1. Employment Policy <ul style="list-style-type: none"> <li>➤ Employment Standard Operating Procedures (“<b>SOP</b>”): Fit &amp; Proper Assessment for Senior Officers (“<b>SO</b>”) and Other Material Risk Takers (“<b>OMRT</b>”)</li> </ul> </li> <li>2. Talent Management Policy <ul style="list-style-type: none"> <li>➤ Performance Management</li> </ul> </li> </ol>	
<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**

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

**Practice 5.6**

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>While the Boards are responsible for the appointment of new Directors, the NC is entrusted with the responsibility of screening and conducting an initial selection by assessing and considering the capabilities, commitment and qualities of candidates to be appointed as Board Members. Above and beyond referrals from the existing Directors, the NC may utilise the independent sources, including talent pool and available directors' registry (i.e. FIDE Forum, ICDM and 30% Club).</p> <p>In assessing and appointing a Director, the NC is guided by the F&amp;P Policy for Directors and CEO of the Bank, and candidates shortlisted by the NC will be subject to rigorous vetting and approval by BNM before they are appointed to the Board.</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**

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

**Practice 5.7**

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied	
Explanation on application of the practice	:	<p>Shareholders are kept informed on the Board decision in respect of appointment of directors via announcements to Bursa Malaysia which are also updated on the Bank's Website.</p> <p>The profile of each Director is set out in the Annual Report and is made available on the Bank's Website.</p> <p>The performance of retiring Director who is recommended for re-election at the forthcoming AGM has been assessed through the Annual Board Assessment of the Bank (including the evaluation of the independence of Independent Non-Executive Directors) and reviewed by the NC. A statement by the Board and NC being satisfied with the performance and effectiveness of the retiring Director who offers himself for re-election at the 83<sup>rd</sup> AGM has been included in the notes accompanying the Notice of 83<sup>rd</sup> AGM.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 5.8**

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

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

**Intended Outcome**

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

**Practice 5.9**

The board comprises at least 30% women directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>As at 30 June 2024, the Board comprises 37.5% women directors, i.e. three (3) out of eight (8) Directors.</p> <p>Following the resignation of Puan Fa'izah binti Mohamed Amin as a Director of the Bank on 15 July 2024, the Board comprises 28.6% women directors, i.e. two (2) out of seven (7) Directors.</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**

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

**Practice 5.10**

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<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 work towards maintaining diversity participation on the Board in line with the Malaysian Code on Corporate Governance.</p> <p>Section 8.2 – Diversity &amp; Inclusion in Principle 7 – Work Environment of the HLB Group's Code of Conduct states that the Bank's position on diversity, including:</p> <ol style="list-style-type: none"> <li>1. Employing and engaging people from a variety of different backgrounds and origin, experience and culture;</li> <li>2. Prohibiting discrimination of any kind, including any discrimination of race, colour, nationality, ancestry, citizenship status, creed, religion, age, gender, pregnancy, maternity, marital status, or physical disability;</li> <li>3. For avoidance of doubt, stating that employees must not, at any time, engage in, or support acts of harassment or inappropriate or abusive conduct by or against our employees, customers or business partners and that the Bank will not tolerate discrimination, harassment in any form (including sexual harassment) or intimidation.</li> </ol> <p>There is a strong and active women representation in the Senior Manager level with a participation of 41.9%. This demonstrates the Bank's commitment in promoting gender equality and leveraging on women's talent.</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

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

### Practice 6.1

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
<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 ("<b>Annual Board Assessment</b>") in conjunction with the annual F&amp;P assessment of the Chairman, Directors and GMD/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> <p>Based on the results of the Annual Board Assessment for the financial year ended 30 June 2024, the NC and the Board were satisfied with the outcome of the results as follow:</p> <ul style="list-style-type: none"><li>the Board and the Board Committees were considered to be highly effective. The Board recognised that the BAC, BRMC, Board Information and Technology Committee ("<b>BITC</b>"), NC and RC have the right composition and have been effectively in discharging their duties.</li></ul>

	<ul style="list-style-type: none"> <li>all individual Directors are persons of high calibre and integrity, and they have a sound understanding of the Bank's business as well as deep industry expertise. They possess the skill sets, knowledge, experience and competencies to address the key risks and major issues relating to the Bank's business and its policies and strategies. All the Directors had discharged their duties and responsibilities effectively for the financial year ended 30 June 2024.</li> <li>each Independent Director has fulfilled the independence criteria set out in the Main Market Listing Requirements of Bursa Malaysia and they continue to demonstrate their independence through their engagement in meetings, providing objective challenges to the Management and bringing independent judgement to decisions taken by the Board.</li> </ul> <p>The Board considers the Annual Board Assessment described above to be effective for the Bank presently. The Board will continuously review its Board evaluation process to further enhance the process. This may include engagement of independent experts to facilitate the evaluation of the Board, the Board committees and individual directors. Should independent experts be engaged for the Annual Board Assessment, an engagement interval of once every 3 years or 5 years will be appropriate.</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 7.1**

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b><u>Remuneration of Directors</u></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 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 in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. Independent Non-Executive Directors of the Bank are paid fixed annual director fees, Board Committee fees and meeting allowance for each Board and Board Committee meeting attended. The remuneration of Independent Non-Executive Directors is recommended and endorsed by the Board for approval by the shareholders of the Bank at its AGM, and payable in cash to Independent Non-Executive Directors upon approval of the shareholders of the Bank.</p> <p><b><u>Remuneration of Senior Management</u></b></p> <p><b><u>Remuneration Process</u></b></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 includes 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 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> <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 all relevant regulatory policies outcomes.</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**

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 7.2**

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>	:	<p>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, GMD/CEO, senior management officers and other material risk takers.</p> <p>The TOR of the RC is published on the Bank's Website.</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**

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 8.1**

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>	:	<p>The remuneration of Directors (including the remuneration earned as Directors of subsidiaries) for the financial year ended 30 June 2024 is as in the following page.</p> <p>During the financial year, Directors and Officers of the Group and the Bank are covered under the Directors' and 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' and Officers' Liability Insurance effected for the Directors &amp; Officers of the holding company was RM10.0 million. The total amount of premium paid for the Directors' and Officers' Liability Insurance by the holding company was RM85,500 and the apportioned amount of the said premium paid by the Group and the Bank was RM74,315 and RM63,352 respectively.</p>

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	YBhg Tan Sri Quek Leng Chan	Non-Executive Non-Independent Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Mr Tan Kong Khoon	Executive Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Mr Kwek Leng Hai	Non-Executive Non-Independent Director	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	YBhg Datuk Dr Md Hamzah bin Md Kassim	Independent Director	200	18 <sup>#</sup>	-	-	-	-	218	398	50 <sup>#</sup>	-	-	-	-	448
5	Ms Lau Souk Huan	Independent Director	350	47 <sup>#</sup>	-	-	-	-	397	350	47 <sup>#</sup>	-	-	-	-	397
6	Ms Cheong Soo Ching	Independent Director	300	39 <sup>#</sup>	-	-	-	-	339	300	39 <sup>#</sup>	-	-	-	-	339
7	Puan Fa'izah binti Mohamed Amin (Resigned with effect from 15 July 2024)	Independent Director	220	18 <sup>#</sup>	-	-	-	-	238	220	18 <sup>#</sup>	-	-	-	-	238
8	Datuk Manharlal A/L Ratilal (Appointed on 15 September 2023)	Independent Director	261	32 <sup>#</sup>	-	-	-	-	293	261	32 <sup>#</sup>	-	-	-	-	293

Note:

# Directors' meeting allowance

**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 8.2**

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>	:	<p>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 talents in the industry.</p> <p>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 2024 and Section B of this CG Report.</p>	
<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 talents as explained above.

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**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 8.3 – 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
<b>Explanation on adoption of the practice</b>	:	



No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

**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 9.1**

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 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 9.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The TOR of the BAC provides for a cooling-off period of at least three (3) years before a former key audit partner may be appointed as a member of the BAC.</p> <p>In this regard, none of the BAC members were officers or partners of the external auditors 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**

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 9.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<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 threat in respect of PwC PLT's appointment as external auditors.</li> </ul> <p>In addition, the Bank had established a policy to govern 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>	:	
<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**

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 9.4 – 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 9.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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 2024.</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 2024 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 10.1**

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 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 2024 provides further details on the state of system of internal controls and risk management framework of the Group in financial year 2024.</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 10.2

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 2024.	
<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 10.3 – 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, and is not the Chairman of the Board. 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 11.1**

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 ("<b>GIAD</b>") 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 RMIT) 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 ("<b>CIA</b>"), reports directly to the BAC. The BAC had engaged privately with the CIA three times 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 ("<b>RCGC</b>") chaired by the GMD/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 the BAC Report in the Annual Report 2024.</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 11.2

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> 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 three times 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>During the financial year, the CIA had also confirmed to the BAC that HLB's GIAD was free from interference in determining the audit selection, scope of internal audit, procedures, frequency, timing and report content.</p> <p><b>b) Internal Audit Resources</b> As at 30 June 2024, GIAD has a head count of 55 staff.</p> <p><b>c) CIA</b> The CIA, Mr Chua Yew Lim has more than 19 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> 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 Institute of Internal Auditors.</p> <p>For further information, please refer to the BAC Report in the Annual Report 2024.</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 12.1**

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, the Bank also uses various communication channels to update shareholders and general public:</p> <p><b>I) Corporate Website</b> 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, sustainability, press releases, quarterly financial statements, analyst briefings/ presentations and Annual Reports.</p> <p><b>II) Analyst Briefings</b> The Bank holds separate quarterly briefings for fund managers, institutional investors and investment analysts after the announcement of each quarterly results to Bursa Malaysia. 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) Media Releases</b> In addition to analyst briefings, the Bank also issues press release for the 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) AGM</b> 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) Dedicated Person to Handle Shareholders', Media's and Investors' Queries</b> Shareholders, media 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          Tel No. : 03-2081 8888 ext. 61914          Fax No. : 03-2081 7801          e-mail address : <a href="mailto:capr@hongleong.com.my">capr@hongleong.com.my</a></p> <p>HEAD, CORPORATE FINANCE &amp; INVESTOR RELATIONS          Tel No. : 03-2081 2974          Fax No. : 03-2081 8924          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 12.2**

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>	:	<p>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.</p> <p>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.</p> <p>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.</p>	
<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 13.1**

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 13.2**

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 of the Bank physically attended the 82<sup>nd</sup> AGM of the Bank held on 30 October 2023, to engage with shareholders.</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 13.3**

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	<p>The Bank view that physical meeting is more effective and interactive way to communicate and engage with shareholders; and to facilitate the participation of shareholders whom may be less familiar with, or are without access to technology.</p> <p>General Meetings of the Bank are held in accessible locations within the Klang Valley. Shareholders who are unable to attend General Meetings of the Bank may, in accordance with the Constitution of the Bank, appoint their respective proxies or the Chairman of the meeting to vote on their behalf.</p> <p>The Bank had adopted electronic voting for the conduct of poll on all resolutions at the AGM and provided e-lodgement channel for shareholders to lodge form of proxy electronically to the Bank.</p>	
<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 review the mode of meeting for the General Meetings of the Bank annually, taking into consideration the prevailing regulatory requirements.	
<b>Timeframe</b>	:	Others	Review in 2025

**Intended Outcome**

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

**Practice 13.4**

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman ensures that the general meetings provide adequate opportunity for shareholders to have effective communication with the Board and senior management. During the 82<sup>nd</sup> AGM, the Chairman invited questions from the shareholders or proxies who present at the meetings before each proposed resolution was put to a vote. In addition, shareholders were also provided opportunity to submit questions to the Board prior to AGM to IR@hlbb.hongleong.com.my.</p> <p>The questions raised by shareholders and responses by the Bank were minuted and uploaded to the Bank's Website.</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 13.5**

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>		
<b>Application</b>	:	Not applicable – only physical general meetings were conducted in the financial year
<b>Explanation on application of the practice</b>	:	
<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 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The minutes of the 82 <sup>nd</sup> AGM were published on the Bank's Website within 30 business days after the 82 <sup>nd</sup> AGM.
<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 2024 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**

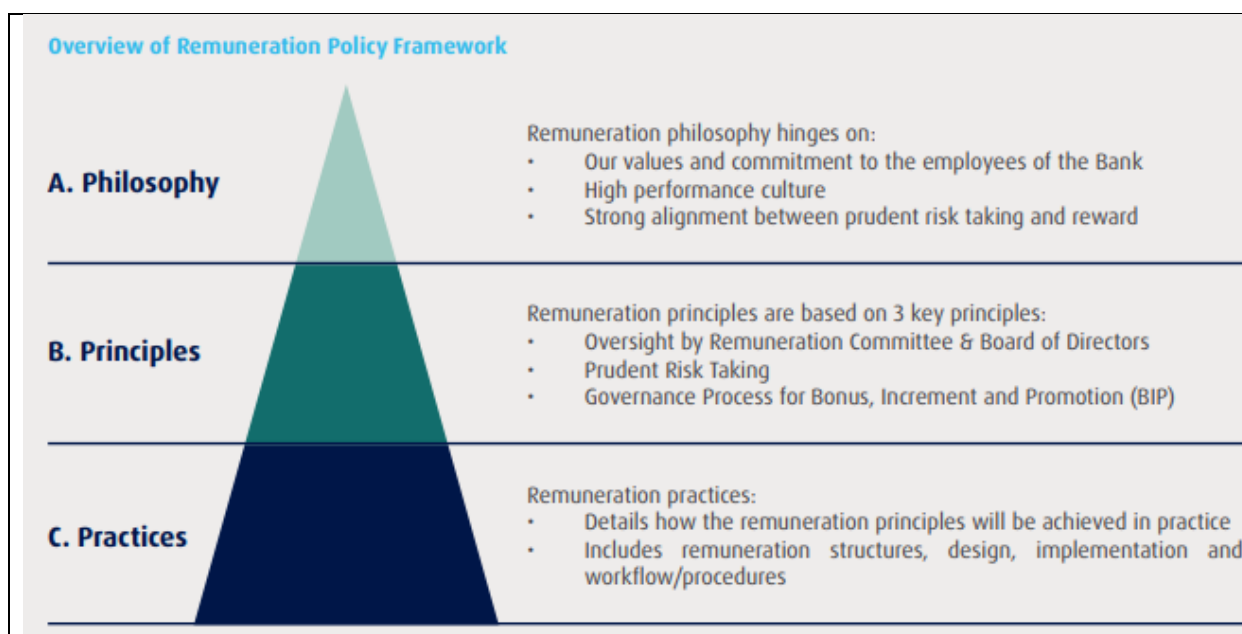
The Internal Control Framework is set out in the Statement on Risk Management and Internal Control in the Annual Report 2024.

### **Remuneration – Qualitative Disclosures**

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

HLB Group's remuneration strategy 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.



## Guiding Principles

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

The RC's 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 CG 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 is accorded to an employee with performance rating 1 (Below Expectations) or 2 (Meets Some Expectations, Needs Improvement). For an employee with a rating of 2, a nominal bonus may be given at the discretion of the division head. If the employee has tendered his/her resignation, the employee would not be eligible for the increment or bonus. 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 ("**KRA**s") 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, which now includes a prompt under the 'Here For The Long Term' value for employees to share their efforts in sustainability.

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 GMD/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 mechanisms are in place. Variable bonus awards for individuals in senior management positions and in excess of 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. health screening, medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of the Bank's 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 Senior Management team (including GMD/CEO) and Material Risk Takers for the financial year ended 30 June 2024 ("FYE 2024")

#### i) GMD/CEO

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2024 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2024 (RM)
<b>Fixed Remuneration</b>					
<i>Cash-based</i>	1	2,495,100	-	-	-
<i>Shares and share-linked instruments</i>	-	-	-	-	-
<i>Other</i>	-	-	-	-	-
<b>Variable Remuneration</b>					
<i>Cash-based</i>	1	867,315	123,893	123,893	-
<i>Shares and share-linked instruments</i>	1	-	123,884*	123,884*	2,863,941*
<i>Other</i>	-	-	-	-	-

ii) Senior Management

Senior Management	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2024 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2024 (RM)
<b>Fixed Remuneration</b>					
<i>Cash-based</i>	26	23,666,189	-	-	-
<i>Shares and share-linked instruments</i>	-	-	-	-	-
<i>Other</i>	-	-	-	-	-
<b>Variable Remuneration</b>					
<i>Cash-based</i>	26	14,096,475	1,474,319	2,037,959	1,301,177
<i>Shares and share-linked instruments</i>	22	-	1,597,963*	2,253,567*	3,976,531*
<i>Other</i>	-	-	-	-	-

Senior Management refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Bank and any person who assumes primary or significant responsibility for key control functions of the Bank.

iii) Material Risk Takers

Material Risk Takers	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2024 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2024 (RM)
<b>Fixed Remuneration</b>					
<i>Cash-based</i>	13	7,726,396	-	-	-
<i>Shares and share-linked instruments</i>	-	-	-	-	-

<i>Other</i>	-	-	-	-	-
<b>Variable Remuneration</b>					
<i>Cash-based</i>	13	3,313,401	299,274	534,683	358,005
<i>Shares and share-linked instruments</i>	6	-	260,234*	473,672*	308,620*
<i>Other</i>	-	-	-	-	-

Other material risk takers refers to an officer who is not a member of Senior Management Officers of the Bank and who can materially commit or control significant amounts of the Bank's resources or whose actions are likely to have a significant impact on the Bank's risk profile.

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