



 **HongLeong** Bank Berhad



SUSTAINABILITY REPORT 2017

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CHAIRMAN AND GROUP MANAGING DIRECTOR/CEO'S STATEMENT

G4-1

DEAR STAKEHOLDERS,

IT IS WITH PRIDE THAT WE PRESENT HONG LEONG BANK'S VERY FIRST SUSTAINABILITY REPORT. WE AT THE BANK ARE CONSCIOUS OF THE IMPORTANCE OF COMMUNICATING OUR SUSTAINABILITY EFFORTS, AND HOPE THAT THROUGH OUR ANNUAL REPORTING WE WILL PROVIDE INCREASINGLY GREATER DETAIL AND DEPTH OF INFORMATION THAT IS RELEVANT, IMPORTANT AND WHICH INDICATES HOW WE ARE STRIVING TO CREATE VALUE FOR YOU.

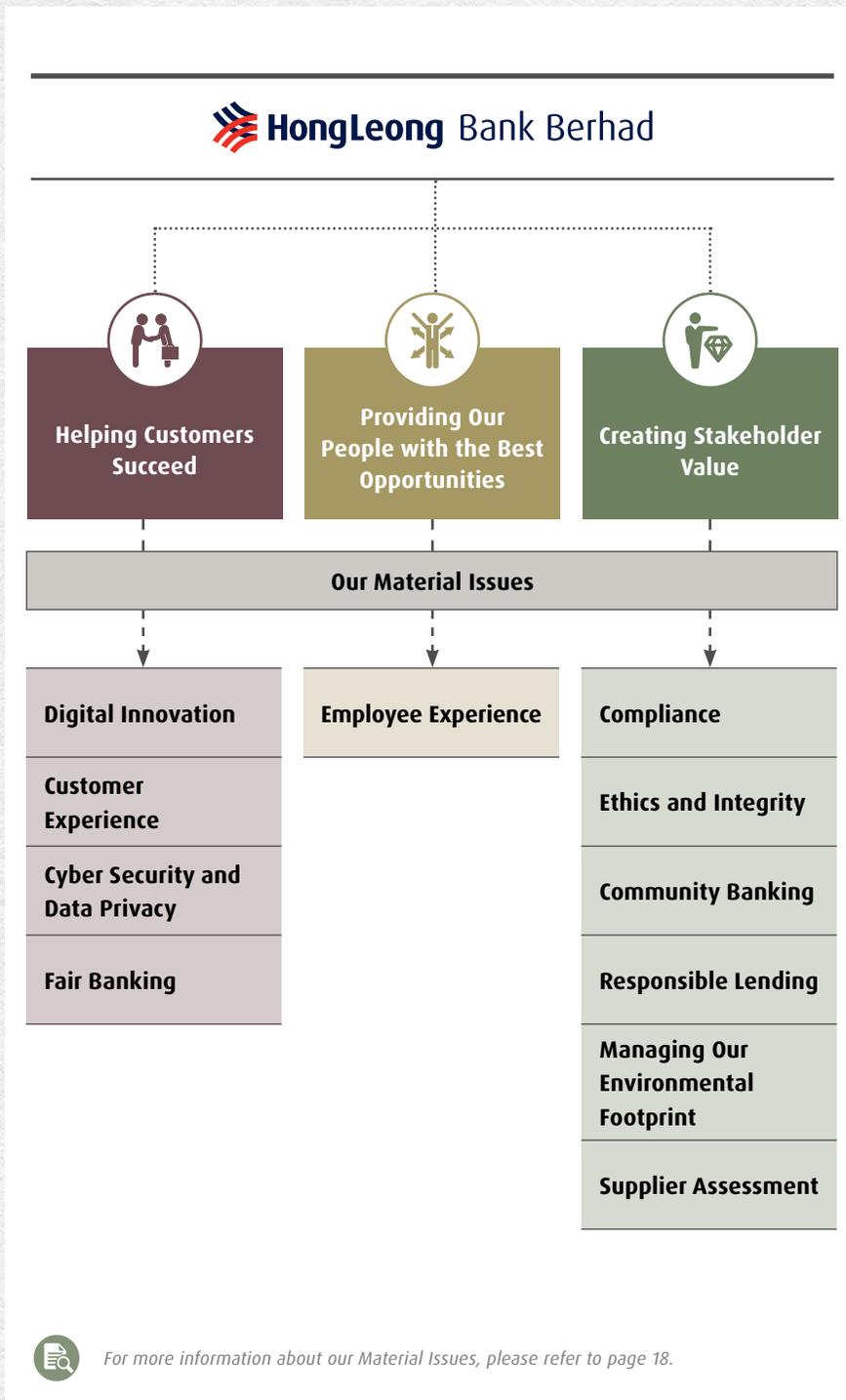
Although this is our inaugural Sustainability Report, we would like to stress that many of the initiatives described herein have been ongoing for a while because the Bank has always operated with the goal of being a sustainable financial services provider. For example, we have always recognized the importance of being vigilant about the credit worthiness of our customers – not only in terms of their ability to honour their debt payments, but also with regard to how they utilise our funds. We have also recognized the importance of gaining the trust of our employees, customers, regulators, shareholders, investors and business partners as well as suppliers, and have invested considerably in building strong relationships with these stakeholders.

In real terms, this has resulted in customer viability assessments and stakeholder engagement, the latter to understand your expectations of us and to help you understand our strategies, goals and the way we operate. Such actions, and others that reinforce our sustainability, are integrated into the core of our business.

In deciding what information to present in this report, we conducted a materiality assessment to identify those issues that are important to both the Bank and our stakeholders. The assessment brought to light 11 issues, namely: digital innovation, compliance, employee experience, ethics and integrity, community banking, fair banking, customer experience, cyber security and data privacy, responsible lending, managing our environmental footprint, and supplier assessment. These have formed the core of our report.

These material issues encompass strategic areas the Bank is placing increasing focus on as we prepare for future growth, such as enhancing our relationships with various communities in which we operate, increasing our offerings under Hong Leong Islamic Bank whilst sustaining our core products and services under Hong Leong Bank, and building our digital capabilities. By building our digital initiatives, we will not only stay relevant to our customers' needs and improve our internal efficiencies and productivity, we will also widen our reach to include a larger portion of the population.

THESE MATERIAL ISSUES ENCOMPASS STRATEGIC AREAS THE BANK IS PLACING INCREASING FOCUS ON AS WE PREPARE FOR FUTURE GROWTH, SUCH AS ENHANCING OUR RELATIONSHIPS WITH VARIOUS COMMUNITIES AND BUILDING OUR DIGITAL CAPABILITIES.



Building our human resources is one of our strategic thrusts, as we acknowledge we are only as good as our people. We therefore provide our employees with attractive career development opportunities that not only bolster the Bank's performance but also help fulfil their personal aspirations as they grow with us. We will be placing greater emphasis on their development to ensure our people are able to support our sustainability agenda. As digital innovation is a key sustainability pillar, this will be among our focus areas in our employee development agenda.

Our sustainability efforts also take into consideration broader issues of global relevance, especially those in which we as a bank are able to make a meaningful difference. We have, for example, aligned our initiatives with some of the United Nations Sustainable Development Goals ("SDGs"). We believe, as a financial services provider, we can play a significant role in the overarching objective of the SDGs, namely to effect more sustainable development across all nations. Towards this end, we are ensuring maximum inclusivity in our reach to customers as well as in our employment policies.

We are pleased to note that the Bank has achieved a creditable scorecard with regard to gender equity. Through meritocracy, 42% of our senior management comprise women. At the same time, we are guided by best practices in corporate governance and maintain a high level of transparency as well as accountability and stakeholder responsibility as advocated by the Malaysian Code on Corporate Governance ("MCCG") 2012. We have also taken cognizance of the revised guidelines in MCCG 2017 and are working towards meeting these requirements.



Going forward, we believe our sustainability efforts will place us in a stronger position to face challenges that the financial services industry can expect – such as further tightening of margins, escalating costs, increased regulatory requirements and potential disruption by financial technology start-ups (“FinTech”).

Via sustainability, too, we will be supporting the Government’s vision for the financial sector. In particular, we look to digitisation to pave the way for electronic payments and greater economic efficiency. It will also play a part in empowering consumers, affording them greater control in managing their finances. Towards this end, our talent development must be able to support a dynamic financial sector.

Our commitment to sustainability initiatives are overseen by the Board Risk Management Committee. We have also established a Sustainability

Steering Committee comprising senior management, and a Sustainability Working Committee comprising employees at various levels and in various departments across the Bank. Members of these committees are putting in place the right processes and systems to implement, measure and monitor our sustainability activities.

In this first report, we have endeavoured to report on a series of initiatives and targets for our sustainability programs on recognized material issues. More initiatives and targets will be introduced as we build on our existing foundation. To help us improve – both in terms of our initiatives and reporting – we look forward to your comments and suggestions. These comments can be forwarded to our sustainability team. We hope that in reading this report you find some answers you may have had regarding the non-financial aspects of our operations. Rest assured we will do our best to fulfill this function better with each passing year.

TAN SRI QUEK LENG CHAN
Chairman

MR. DOMENIC FUDA
*Group Managing Director and
Chief Executive Officer*

18 September 2017

KEY HIGHLIGHTS



COMMUNITY INVESTMENT

Employees from Hong Leong Bank Berhad participated in a group-wide employee engagement initiative involving Hong Leong Foundation and the Group Operating Companies. A total of RM57,738 was raised and donated to 17 charitable organizations.



For more information, please refer to Community Banking on page 55.

TOTAL DISBURSEMENT OF SCHOLARSHIPS FOR DIPLOMA/ UNDERGRADUATE AND MASTERS STUDIES, ROAR AND GDVT PROGRAMS:



Approx. **RM37 MILLION**

(Since inception)



For more information, please refer to Community Banking on page 53.



TOTAL TAXES PAID for FY2017
RM391 MILLION



For more information, please refer to our Annual Report 2017.



OPERATING EXPENSES
RM2,008 MILLION



For more information, please refer to our Annual Report 2017.

RESULTS FROM CUSTOMER SATISFACTION SURVEYS



Positive Feedback

- Everyone, regardless of social class, is treated with respect
- Patient in dealing with customers
- Good service provided
- Making customers feel prioritized by providing excellent service
- Operates even on public holidays
- Cash Deposit Machine ("CDM") is faster than other banks in calculating notes



Areas for improvement

- Long wait times
- Unresolved issues after consultations
- No Mandarin language option on website
- Malfunction of ATM machines
- Limited automated teller machine ("ATM") presence in shopping malls
- Little privacy available at ATM machines



For more information, please refer to Customer Experience on page 32.

FEMALE REPRESENTATION IN EXECUTIVE MANAGEMENT:



FY2017

Percentage of women in senior management

42%

Percentage of women in top management (C-Suite)

25%



For more information, please refer to About Hong Leong Bank on page 11.

EMPLOYEE DEVELOPMENT:



FY2017

Classroom

Average training hours per employee

34

E-Learning

Average training hours per employee

7



For more information, please refer to Employee Experience on page 40.

QUANTITY OF RECYCLED PAPER USED:



46,502kg



For more information, please refer to Managing Our Environmental Footprint on page 63.

ABOUT THIS REPORT

G4-30, G4-31, G4-32, G4-33



This is Hong Leong Bank's first sustainability report, covering our financial year from 1 July 2016 – 30 June 2017 (FY2017). The report has been produced to give our stakeholders a clear insight into the actions that we take to create value for them. For a holistic understanding of the strategies and performance of the Bank, the report should be read along with our Annual Report 2017.

Our sustainability report has been prepared in accordance with the Global Reporting Initiative ("GRI") G4 Sustainability Reporting Guidelines: Core option, through which we have sought to communicate the impacts of our economic, environmental and social ("EES") performance. We have provided a GRI Content Index at the end of this report which indicates where data on a particular topic can be found.

In planning this report, we have also been guided by other local and international standards such as Bursa Malaysia's Sustainability Reporting Guidelines and the United Nations Sustainable Development Goals ("SDGs"). Going a step further, we have mapped our sustainability actions against those SDGs in which we are able to have the most impact as a business. A summary of some of our key efforts and initiatives in relation to the SDGs can be found on page 19 of this report.

The data provided relate to issues that have been determined to be important to both the Bank and our stakeholders via a materiality analysis. Eleven issues have been presented under three main sections that reflect key priorities targeting our most important stakeholders, namely our customers, employees, and shareholders and investors. These sections also outline our mission: Helping Customers Succeed, Providing Our People with the Best Opportunities, and Creating Stakeholder Value.

For each issue, we have provided an overview of the Bank's current position and stated what our aspirations are. Where possible, we have provided quantitative data and goals to be met. However, as this is our first sustainability report, we are still in the process of putting in place systems that will allow us to monitor and measure our performance in the relevant areas. In time, we hope to be able to present sufficient quantitative data that will enable our stakeholders to have a clearer idea of how we are progressing in areas that are of particular interest to them.

We recognize that many stakeholders are no longer interested only in the financial performance of companies, and our sustainability report will serve as a channel through which they can obtain the information they desire on our overall EES scorecard.

As an assurance of the reliability of some of the data provided in this report, we have sought the verification of an independent body, PricewaterhouseCoopers ("PwC").

Reporting scope: All data in this report relate to the operations of Hong Leong Bank ("HLB") and Hong Leong Islamic Bank ("HLISB") in Malaysia as they represent our most material businesses.

For more information on this report, or to provide your feedback, please contact:

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at
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sustainability@hongleong.com.my

ABOUT HONG LEONG BANK

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HONG LEONG BANK BERHAD IS A REGIONAL FINANCIAL SERVICES COMPANY BASED IN MALAYSIA (AND HEADQUARTERED IN KUALA LUMPUR) WITH PRESENCE IN SINGAPORE, HONG KONG, VIETNAM, CAMBODIA AND CHINA. PART OF THE HONG LEONG GROUP, WE WERE LISTED ON THE KUALA LUMPUR STOCK EXCHANGE (NOW UNDER MAIN MARKET OF BURSA MALAYSIA) ON 17 OCTOBER 1994.



We reach out to our customers through an extensive network of 296 branches in Malaysia supported by one branch each in Singapore and Hong Kong, four branches/outlets in Vietnam, five branches in Cambodia, a representative office in Nanjing, as well as over 1,400 self-service terminals and a full-service call centre. This is supplemented by Hong Leong Online Banking and Hong Leong Mobile Banking.

We also have a strong presence in the provision of Islamic financial services in Malaysia through Hong Leong Islamic Bank, which was established in 2005.

We have also stepped up efforts on digitisation through continuous optimisation and integration of electronic and digital facilities and processes, to enhance the overall customer banking journey.

Our ability to harness cutting-edge technologies to provide a comprehensive suite of conventional and Islamic financial products and services under one roof makes us a leading integrated financial services organization in Malaysia.

OUR GROUP VALUES

Hong Leong Bank Berhad (“HLB” or “the Bank”) and our wholly-owned subsidiary Hong Leong Islamic Bank Berhad (“HLISB”) are members of Hong Leong Group (“the Group”), founded in 1963 as a building materials trading company and today one of the largest conglomerates in Southeast Asia.

The Group is built on a strong heritage of value creation for our stakeholders and communities within which we operate. Over the years, we have taken a progressive approach in integrating sustainability into our businesses to become stronger and more resilient. We are committed to: growing our businesses responsibly, balancing environmental with economic considerations, as well as creating a positive impact for our stakeholders and contributing to our communities.

Our core values continue to serve as our compass in all that we do.

 Honour	To conduct business with honour.
 Human resources	To enhance the quality of human resources – as the essence of management excellence.
 Entrepreneurship	To pursue management vision and foster entrepreneurship.
 Innovation	To nurture and be committed to innovation.
 Quality	To consistently provide goods and services of the highest quality at competitive prices.
 Progress	To continuously improve existing operations and to position for expansion and new opportunities.
 Unity	To ensure oneness in purpose, harmony and friendship in the pursuit of prosperity for all.
 Social responsibility	To create wealth for the betterment of society.

ABOUT HONG LEONG BANK



REGIONAL FOOTPRINT

HLB became the first Malaysian bank to enter the Chinese banking sector with a 20% strategic shareholding in Bank of Chengdu Co., Ltd in 2008. In December of the same year, we became the first Southeast Asian bank to be granted a license to incorporate and operate a wholly-owned commercial bank in Vietnam. In 2013, we launched a wholly-owned commercial bank in Cambodia and in November, set up a representative office in Nanjing. Building on strong entrepreneurial roots and a firm foundation of values, HLB is committed to embedding ourselves in the communities where we operate to meet the needs of our customers.

- **Singapore**

HL Bank Singapore (“HLBS”) has a long history since its establishment in July 1956. It started as Kwong Lee Bank Bhd, become MUI Bank Bhd in 1982, then Hong Leong Bank Bhd in January 1994. HLBS is a full bank-licensed branch offering wealth management, treasury and corporate banking services. In 2014, it embarked on a transformational journey, expanding into health banking and auto financing and will continue to build on the Hong Leong franchise to grow our business.

- **Hong Kong**

Our branch in Hong Kong, which commenced operations in 2004, offers Treasury and Wealth Management products and services. It is also the first bank in Hong Kong to launch an Islamic banking window.

- **Vietnam**

Hong Leong Bank Vietnam Limited (“HLBVN”), which commenced operations in October 2009, is a full-fledged commercial bank whose principal activities include the provision of retail loans, deposit products, wealth management and priority banking services to individuals. Business banking solutions include working capital and term loans, deposit and liability management products and trade finance services as well as foreign exchange (“forex”) and money market services. It has three branches/outlets in Ho Chi Minh City and one in Hanoi.

- **Cambodia**

In July 2013, Hong Leong Bank (Cambodia) PLC (“HLBCAM”) commenced operations as a wholly-owned subsidiary providing comprehensive financial services covering consumer banking, business banking, global markets and transaction banking services. With five full-fledged branches located in Phnom Penh, HLBCAM’s customer focus is towards established SME and commercial corporate customers, high net worth individuals, affluent and emerging affluent as well as tech-savvy young professionals.

- **Investment in China**

Bank of Chengdu is a leading city commercial bank in Western and Central China based in Chengdu, capital of Sichuan Province. With a network of over 170 branches and outlets, it carries out a full-fledged commercial banking business. In March 2010, Sichuan Jincheng Consumer Finance Ltd, a joint venture company between HLB and the Bank of Chengdu, obtained regulatory approval to establish a consumer finance business in Chengdu. In November 2013, Hong Leong Bank set up a representative office in Nanjing which commenced operations in February the following year.

OUR BUSINESS

HONG LEONG BANK KEY BUSINESS PILLARS



PERSONAL FINANCIAL SERVICES



Products:

- Property Loan
- Auto Loan
- Personal Loan
- Credit Card
- Share Financing
- Investment
- Insurance

Services:

- Deposits
- Remittance

GLOBAL MARKETS



Global Markets' principal activities include assisting customers meet their investment and hedging needs through various treasury products, ranging from foreign exchange, money market, derivatives including interest rate swaps and interest rate swap options, to structured investment products.

BUSINESS AND CORPORATE BANKING



Business & Corporate Banking provides banking facilities and services for corporate, institutional, commercial & SME clients across all sectors of the Malaysia economy. We support our clients with a range of services and products including:

- Term Loan
- Bridging Loan
- Industrial Hire Purchase
- Overdraft
- Revolving Credit Facilities
- Fixed Deposits
- Current Account
- Trade Facilities



SECTORS SERVED

(Sectors based on Bank Negara Malaysia's industry and sector definition)

- Manufacturing
- Wholesale and Retail Trade
- Transport, Storage and Communication
- Education, Health and Others
- Primary Agriculture
- Electricity, Gas, Water
- Construction
- Real Estate
- Mining and Quarrying
- Finance, Insurance, Business Activities
- Sectors Not Elsewhere Classified ("NEC")



TYPES OF CUSTOMERS AND BENEFICIARIES

- Partnership
- Private Limited
- Corporations

HONG LEONG ISLAMIC BANK KEY BUSINESS PILLARS



PERSONAL FINANCIAL SERVICES



- Property Financing
- Auto Financing
- Personal Financing
- Deposit: CASA-i, Fixed Deposit
- Wealth Management: Will Writing, Unit Trust, Takaful

GLOBAL MARKETS



Global Markets' principal activities include assisting customers meet their investment hedging needs through various Islamic treasury products, ranging from Islamic foreign exchange, Islamic money market, Islamic hedging solutions to structured investment products.

BUSINESS AND CORPORATE BANKING



- Islamic Term Financing
- Islamic Bridging Financing
- Islamic Cashline
- Islamic Revolving Facilities
- Islamic Fixed Deposits
- Islamic Current Account
- Islamic Trade Facilities
- Takaful
- Islamic Capital Markets
- Islamic Transactional Banking Services

OUR SUPPLY CHAIN

The Bank engages about 1,000 vendors to supply us with a variety of products and services which support our business operations. We promote local businesses by ensuring 100% of non-IT suppliers are Malaysian companies. The Bank also appoints local (Malaysian) vendors for security services, telecommunications services, office equipment, furniture and fittings, maintenance, cleaning services, real estate, dataline, courier services, security devices and other services for the smooth running and upkeep of the Bank. In order to get the most up-to-date and efficient IT systems, we engage multinational suppliers with local presence.

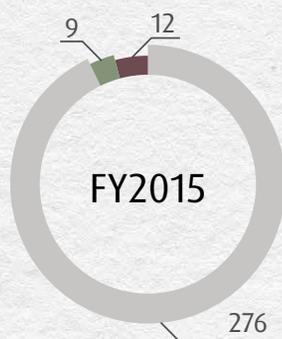
ABOUT HONG LEONG BANK



OUR BRANCH NETWORK IN MALAYSIA

CHANGES IN OPERATIONS

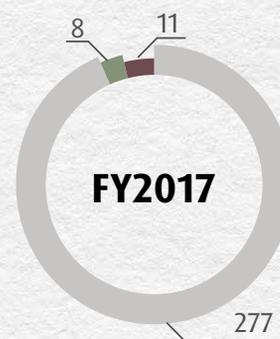
(FACILITY OPENINGS, CLOSINGS AND EXPANSIONS)



- Conventional (HLB)
- Islamic (HLISB)
- Mach by HLB



- Conventional (HLB)
- Islamic (HLISB)
- Mach by HLB



- Conventional (HLB)
- Islamic (HLISB)
- Mach by HLB



During the year, three branches were closed:

- Mach** - Mutiara Damansara, Selangor
- HLISB** - Jalan Raja Laut, Kuala Lumpur
- HLB** - Taman Malim Jaya, Melaka



At the same time, two new branches were opened:

- HLB** - Taman Puchak Jalil, Selangor
- HLB** - Cheng, Melaka



For more information, please log on to <https://www.hlb.com.my/en/personal-banking/help-support/branch-locator.html>.

OUR PEOPLE

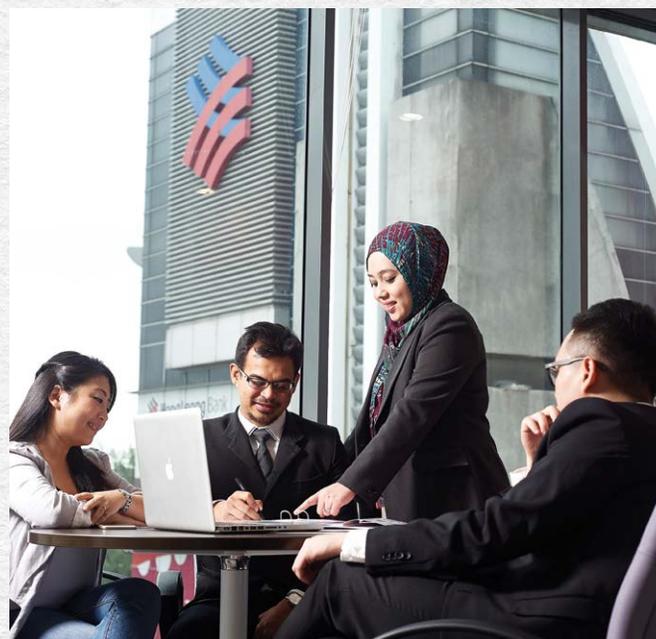
SCALE OF THE ORGANIZATION

DESCRIPTION	FY2017	
	HLB	HLISB
Employees		
Total number	8,212	177
Senior Managers	265	15
Managers	1,831	50
Executives	4,271	75
Non-executives	1,845	37
Permanent Staff		
Permanent Staff	7,672	173
Contract Staff		
Contract Staff	540	4
Gender		
Female	5,223	93
Male	2,989	84
Union		
Union	1,841	37
Non-Union	6,371	140
Age Group		
Below 30 years	1,740	28
30 - 50 years	5,798	140
Above 50 years	674	9
Diversity		
Malay	2,349	138
Chinese	5,058	26
Indian	569	7
Others	236	6

DESCRIPTION	FY2017	
	HLB and HLISB	
Women in Management		
% of Women in Senior Management	42%	
% of Women in Top Management (C-Suite)	25%	



TO DELIVER OUR COMMITMENT WE NEED THE BEST PEOPLE TO DRIVE INNOVATION, CREATIVITY AND PRODUCTIVITY PERSISTENTLY TO SERVE THE COMMUNITY BETTER.



ABOUT HONG LEONG BANK

WHO WE ASSOCIATE WITH

We are a member of a number of organizations and associations that enable us to strengthen our operating principles and help us fulfil the responsibilities we have set for ourselves in terms of meeting the needs and expectations of our various stakeholders.

Association	Benefits to our stakeholders
Federation of Malaysian Manufacturers	Through our membership we are able to support Malaysian manufacturers in spearheading the nation's growth and modernisation.
Ombudsman for Financial Services <i>(formerly Financial Mediation Bureau)</i>	Provides a channel for our customers to lodge complaints on our products and services, and have these resolved without recourse to costly legal fees.
The Association of Banks in Malaysia	Through the association we are actively involved in various initiatives to promote and strengthen the commercial banking industry to become more resilient, effective and efficient.
Asian Institute of Chartered Bankers <i>("AICB", formerly Institute of Bankers Malaysia)</i>	AICB is committed to elevating the banking education landscape by enhancing the quality of professionals who work within the industry.
FIDE Forum	Through the Forum, we keep abreast of best practices in corporate governance ("CG"), which serves to strengthen our internal processes hence also our CG outcomes.
The Community Chest	The organization promotes quality education for all, hence is beneficial to marginalised communities which stand to benefit from funds and programs that enhance the provision of education to children
Cagamas Holdings Berhad ("Cagamas")	We benefit from Cagamas' Purchase With Recourse, Purchase Without Recourse, and Mortgage Guarantee activities. The company purchases mortgage loans, personal loans, and hire purchase and leasing debts from primary lenders; and issues bonds and notes to finance the purchases.
Payments Network Malaysia Sdn Bhd ("PayNet")	Through PayNet, our customers have access to cash at more than 11,000 terminals throughout the country.
Credit Guarantee Corporation ("CGC")	Enterprises, and particularly SMEs, without collateral have access to financing through CGC schemes we support such as BizJamin and the Green Technology Financing Scheme.
RAM Holdings Berhad	We are able to tap into services offered by RAM such as obtaining business profiles and company details from The Companies Commission of Malaysia (SSM), 3-year financial summaries and other critical information pertaining to companies' and their directors' financial standing.
ABM Investments Sdn Bhd	We are able to subscribe to reports from ABM, an investment holdings company, which help us to make investment decisions.
AFC Holdings (Malaysia) Sdn Bhd	We are able to obtain important information on companies including their registration details, banking payment history, litigation and trade reference - which helps us decide whether to extend credit or conduct business with them.
Islamic Banking and Finance Institute Malaysia Sdn Bhd	We are able to keep track of Syariah developments, especially with regard to finance and banking. It additionally enhances the Syariah services we are able to offer our customers.
ASEAN Finance Corporation Limited	Asean Finance Corporation engages in the design, build, integration and installation of integrated access control and security systems. It enables us to control, monitor and record the flow of people, vehicles and goods in and out of our premises using access control and security electronics.
The Association of Islamic Banking Institutions Malaysia ("AIBIM")	HLISB is one of 26 member banks comprising 10 domestic banks, 5 development financial institutions, 10 locally incorporated foreign banks operating in Malaysia and 1 international financial institution. HLISB actively supports AIBIM to promote a sound Islamic banking system and practice in Malaysia, and to seek advice and assistance in the development of Islamic banking and finance at the local, regional and global levels while promoting public awareness.

HERE FOR THE LONG TERM

One of our core driving principles is that we are “here for the long term”. This underlies our commitment to sustainability, which we believe hinges on always keeping in mind our economic, environmental and social (“EES”) commitments. Through EES stewardship, we have built strong relationships with the people who matter, namely our customers, staff, shareholders/investors, suppliers/vendors, regulators and communities at large.

We recognize the role we play in helping our communities manage their finances, and are committed to doing so responsibly. Responsible financing guides our business decisions and direction, influencing our product development, credit and investment approval, customer relationship management, financial management and even our human resource management. Combined with a genuine concern for protecting the environment, it also influences our corporate social responsibility (“CSR”) activities.

Our sustainability actions, in turn, reinforce our compliance culture and risk management principles, strategies and processes. We have in place a robust risk management framework, through which we are able to identify, measure, control, monitor and report risk exposures across the Bank. This framework is supported by our ultimate vision to enable economic and social development, enhancing opportunities for people and businesses.



What we care about



We care immensely about people



We care about being transparent and ethical



We care about responsible financing



We care about helping entrepreneurs succeed

1. We care immensely about people

As a corporate organization, we believe we have a role to play in the creation of more equitable distribution of wealth as well as in upholding the dignity of everyone – not just our stakeholders but also those who are marginalised. We also care about the environment, and are doing our best to reduce our carbon footprint.

2. We care about being transparent and ethical

Hence, we subscribe fully to the principles of good corporate governance, as prescribed by the Malaysian Code on Corporate Governance (“MCCG”) 2012.



For more information on Ethics and Integrity, please refer to page 47.

3. We care about responsible financing

This means ensuring our financial operations are sustainable, customers can afford to repay loans granted by us and that we maintain adequate capital and liquidity to support all our lending and investment activities.

Capital adequacy

We are guided by Bank Negara Malaysia (“BNM”)’s Capital Adequacy Framework (Capital Components) issued on 13 October 2015 and Capital Adequacy Framework (Basel II – Risk Weighted Assets) issued on 2 March 2017. Under the Capital Adequacy Framework (Capital Components), all Malaysian banks are required to have:

- a minimum common equity Tier 1 (“CET1”) capital ratio of 4.5%
- Tier 1 capital ratio of 6.0%
- Total capital ratio of 8.0%

Banks are also required to gradually increase their capital conservation buffer based on a percentage of total risk weighted assets – from 0.63% in 2016 to 1.25% in 2017, 1.88% in 2018, and 2.50% in 2019. As at 30 June 2017, Group’s CET1, Tier 1 and total capital ratio (after proposed dividends) stood at 13.29%, 13.69% and 15.78% respectively – exceeding the regulatory requirements.

Liquidity

We comply with BNM’s Basel III requirements on Liquidity Coverage Ratio (“LCR”). All financial institutions in Malaysia were to have a minimum LCR of 60% by 1 June 2015, and to increase this by 10% yearly to reach a minimum of 100% from 1 January 2019. As at 30 June 2017, Group’s LCR is at 137%.

We also already meet BNM’s Basel III Observation Period Reporting of a minimum 100% Net Stable Funding Ratio (“NSFR”) and minimum 3% Leverage Ratio (“LR”), although these have to be fulfilled only by 1 January 2018.

4. We care about helping entrepreneurs succeed

We work with Credit Guarantee Corporation Malaysia Berhad (“CGC”) on two separate schemes: BizJamin and the Green Technology Financing Scheme (“GTFS”). We also collaborate with BNM to provide Funds for Small and Medium Industries 2 (“FSMI2”) and the New Entrepreneurs Fund 2 (“NEF2”).

- Under BizJamim, we offer financing to entrepreneurs who would find it difficult to gain financing elsewhere as they do not have adequate collateral. We evaluate these entrepreneurs, and once we are happy with the viability of their projects, we send their applications to CGC for approval. If the SMEs meet CGC’s criteria, CGC provides a guarantee cover for loans from RM50,000 to RM10 million, charging between 0.75% to 4.00% in fees per annum for the unsecured portion of the loan, and between 0.5% and 3.2% per annum for the secured portion.
- Under GTFS, we provide financing to companies that supply and/or utilise green technology.
- Both FSMI2 and NEF2 ensure SMEs have access to low-cost funds, the latter scheme targeting specifically Bumiputera enterprises.

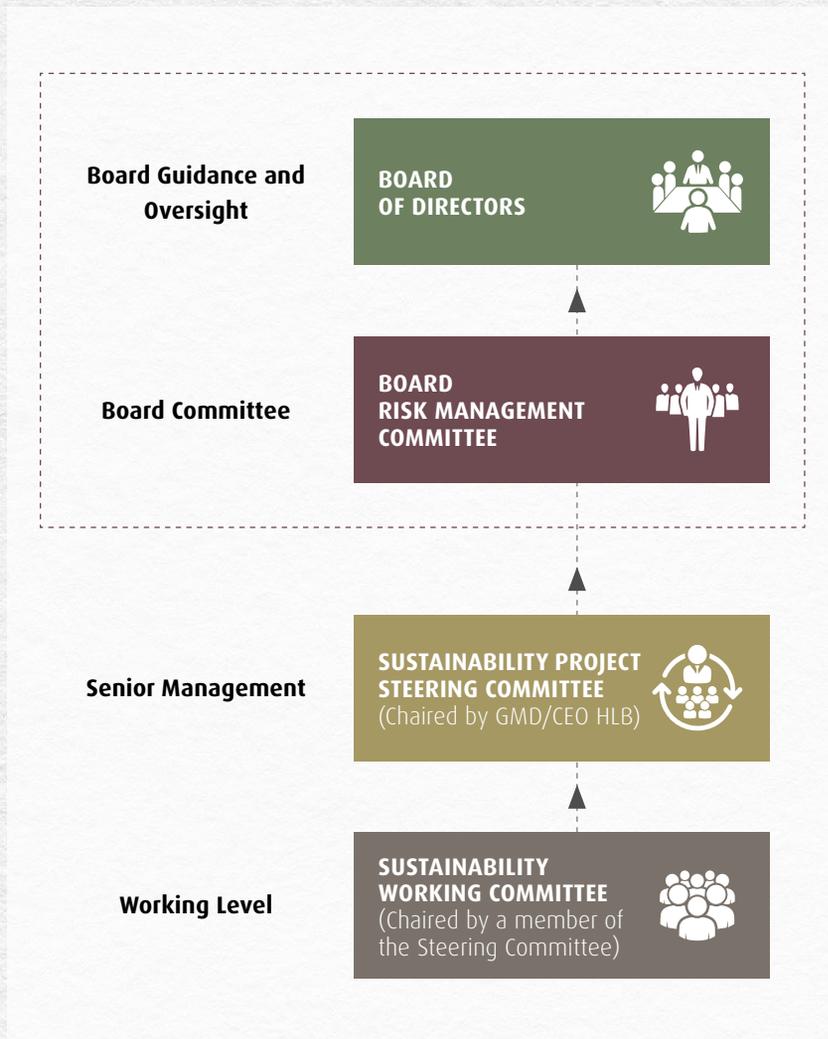
HOW SUSTAINABILITY IS GOVERNED

G4-34

Sustainability at Hong Leong Bank is driven by the highest level within the organization: our Board. Our Directors, and especially those in the Board Risk Management Committee, oversee our sustainability and climate change-related actions and policies, ensuring these are in line with our corporate values and ultimately support our business goals and vision.

The Sustainability Steering Committee and Working Committee meet once a quarter to discuss matters related to sustainability.

Hong Leong Bank Sustainability Governance Chart FY2017



How We Approach Our Business

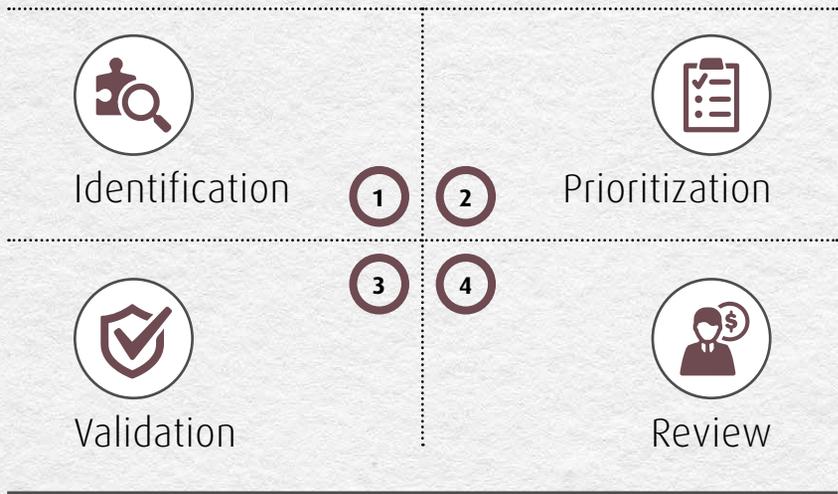
Two words encapsulate our approach to business: entrepreneurial and ethical. While the entrepreneurial spirit of our founding fathers continues to imbue Hong Leong Bank with a unique dynamism and vigour, we ensure our vision is enveloped in ethical behaviour and considerations.

We have a Code of Conduct and Ethics which we expect everyone at HLB and HLISB to adhere to. All new hires are required to read and understand the code, and a copy of the document is made available on our online Knowledge Portal, which is accessible by all employees. We are currently working on an e-Learning module on our Code of Conduct and Ethics.

OUR SUSTAINABILITY APPROACH

G4-24, G4-25, G4-26, G4-27

In order to present a report that is meaningful to our stakeholders, we conducted a materiality assessment to determine those issues that are important to both the Bank itself as well as our stakeholders. The assessment comprises four steps:



1. IDENTIFICATION

We collated preliminary issues which we believed could be material to the Bank and our stakeholders through internal management discussion, an analysis of issues that have been reported by other banks and companies in Malaysia, as well as by looking into industry best practice. We then conducted interviews with members of the Sustainability Steering Committee and three Executive and Non-Executive Directors to identify those issues and concerns that are material to Hong Leong Bank and Hong Leong Islamic Bank in particular. Through these interviews, we were able to finalise key issues, opportunities and challenges facing the Bank.

2. PRIORITIZATION

From the list of issues that had been identified as being material, we prioritized them (i.e. provided a measure of 'weightage' to each). This was accomplished via three employee focus group sessions and a materiality assessment workshop with the Sustainability Working Committee. We involved a good cross-section of internal stakeholders in the focus group sessions - from managers to heads of department and members of the C-Suite as well as Directors - and obtain inputs from their engagement with external stakeholders. At the end of this step, we were able to plot a materiality matrix, indicating the relative importance of each issue to the Bank and our stakeholders.

3. VALIDATION

The materiality matrix was then presented to the Sustainability Steering Committee, Group Managing Director/Chief Executive Officer and Board, all of whom validated the findings.

4. REVIEW

This final step encompasses feedback from our stakeholders. From your feedback, we will be able to further refine our sustainability approach so as to present even more meaningful reports in the future.

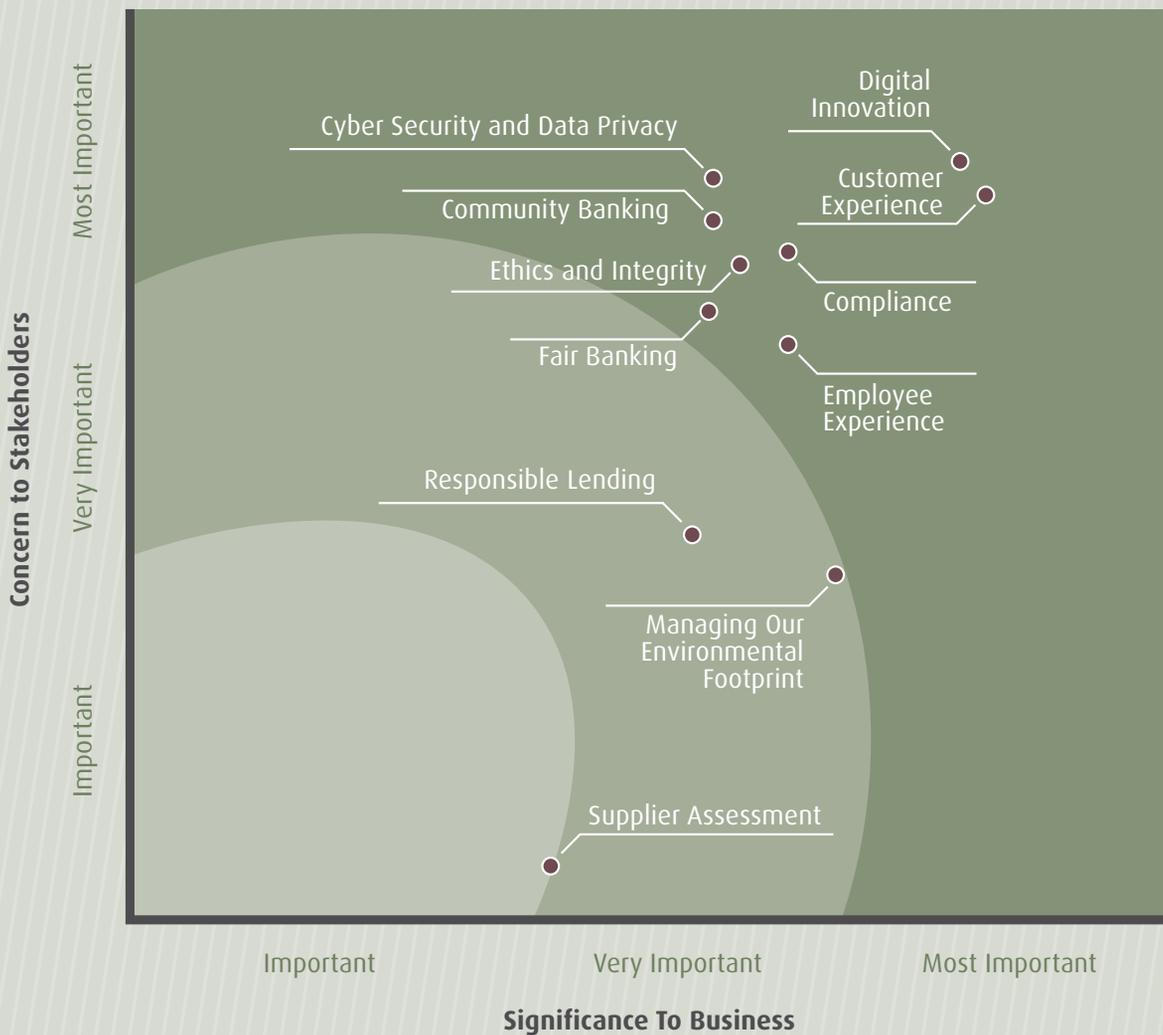
OUR MATERIALITY MATRIX

MATERIAL ISSUES IDENTIFIED

- Digital Innovation
- Compliance
- Employee Experience
- Ethics and Integrity
- Community Banking
- Fair Banking
- Customer Experience
- Cyber Security and Data Privacy
- Responsible Lending
- Managing Our Environmental Footprint
- Supplier Assessment

Legend:

- Most Important
- Very Important
- Important
- Material Issues



ABOUT OUR MATERIAL ISSUES

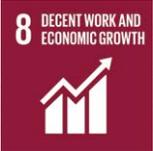
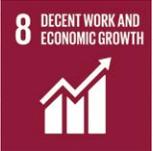
HLB Mission	Material Issue	GRI Aspect	Description
 <p>Helping Customers Succeed</p>	Digital Innovation	-	We strive to innovate with digital products and services for greater customer accessibility and convenience.
	Customer Experience	Product and Service Labeling	We make every effort to enhance our product and service delivery to create a positive customer experience. This includes meeting our customers' preferences and needs.
	Cyber Security and Data Privacy	Customer Privacy	We protect our organization and customer data from unauthorised access or attacks aimed to exploit such information. This involves implementing processes and measures that prevent, identify and address vulnerabilities and threats to personal and confidential customer data.
	Fair Banking	Product and Service Labeling	We aim to provide goods and services that meet our customers' expectations and take into consideration the interests of both parties in terms of fairness in all aspects.
 <p>Providing Our People with the Best Opportunities</p>	Employee Experience	Employment, Labour/ Management Relations, Training and Education, Diversity and Equal Opportunity, Labour Practices Grievance Mechanisms	We aim for a high-performance culture, honed from the way we attract, develop and retain the next generation of leaders to ensure we are fit for the future. Our employees are empowered to deliver and take ownership of results. We also provide relevant learning and development opportunities, competitive rewards and recognition programs and more importantly, a conducive work environment, in order to ensure our people are able to serve the community better continuously and uncompromisingly.
 <p>Creating Stakeholder Value</p>	Compliance	Compliance	We are committed to meeting all local regulations and core operational regulations (e.g. CCM and BNM regulations, Data Protection Acts, AMLA, etc) as a measure of management's ability to ensure our operations conform to certain performance parameters and long-term viability.
	Ethics and Integrity	Anti-corruption	We expect our employees to adhere to our values, principles, standards and norms of behaviour, as outlined in our Code of Conduct and Ethics. This is supported by a Whistleblowing policy.
	Community Banking	Local Communities, Market Presence	We seek to help local communities develop via programs that have been designed to meet their specific needs. This includes providing employment opportunities to members of these communities.
	Responsible Lending	Product Portfolio	We have policies, principles and codes of conduct to ensure the interests of HLB are aligned with the interests of existing and potential customers. These include audits to assess and screen for environmental and social risks, financial health assessments of existing and potential customers, and the provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system.
	Managing Our Environmental Footprint	Materials, Energy, Emissions	We endeavour to reduce waste (such as paper and water), and to use energy efficiently thus reduce our greenhouse gas ("GHG") emissions and our carbon footprint.
	Supplier Assessment	Procurement Practices	We have an independent Tender Review Committee to assess and approve proposals above a certain threshold. This is supported by due diligence reviews of suppliers' financial strength and performance as well as disaster recovery and business continuity plans. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.

HOW OUR MATERIAL ISSUES RELATE TO THE UN SDGS

We are pleased to be able to map our sustainability performance against the SDGs in areas that are relevant to our operations. Of the 17 SDGs, we believe we are in a position to make a positive impact on the following eight, and have mapped our performance to the relevant SDGs to Malaysia and the financial services sector:

- Goal 4: Quality Education
- Goal 5: Gender Equality
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry Innovation and Economic Growth
- Goal 10: Reduced Inequalities
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action
- Goal 16: Peace, Justice and Strong Institutions

We recognize it is important to engage regularly with our stakeholders in order to understand their needs as well as their expectations of us, creating an environment of openness and trust.

	SDGs relevant to Malaysia and the Financial Services sector ¹	SDGs relevant to our material issues
Economic	 	  
Environmental		
Social	      	   

¹ Source: PwC SDG selector tool (dm.pwc.com/SDGSelector/)

HOW WE ENGAGE WITH OUR STAKEHOLDERS

	Engagement Channel	Issues	Actions
Employees 	<ul style="list-style-type: none"> • Bank-wide Townhalls • Social media and career fairs • Performance appraisal process • Learning & development discussions • Employee survey • Scholarship program • Graduate Training Program 	<ul style="list-style-type: none"> • Ensure the organization is fully aligned to achieve business results • Build HLB and HLIB brand equity within the financial industry; and garner the attention of talent by showcasing our heritage as well as the best we have to offer as an employer • Drive high performance leadership to consistently deliver our business priorities and goals • Continue to invest in our employees through different learning interventions for their personal and professional success • Create a conducive work environment that genuinely takes into account the needs of our employees • Build a pipeline of homegrown young banking talents to take on future leadership positions 	<ul style="list-style-type: none"> • Sharing sessions with employees on business updates and overall direction to achieve vision and annual deliverables • Make known the Bank's employee value proposition at key career fairs and events throughout the year such as Graduan, and through social media platforms such as LinkedIn • Launched a development planning process in conjunction with the performance appraisal process • Ensure managerial readiness to handle Performance and Development discussions by developing managers on these topics (incorporating SMART principle, GROW model, Coaching, Agile Learning Framework, talent retention conversations/tracker and stay interviews) • Launched the 70:20:10 learning framework to ensure learning interventions like classroom, e-learning and micro learning platforms are made available to employees for their development and long-term progress • Launched "My Thoughts, Our Future" employee survey to gather insights from all employees on how management can draw up action plans to create a conducive work environment • Offer scholarships and career opportunities to top scholars • Enrol fresh graduates in an 18-month development program
Suppliers 	<ul style="list-style-type: none"> • Supplier engagement rating process • E-Bidding (live auction) • Tender process • Proof of Concept engagements • Annual supplier due diligence review 	<ul style="list-style-type: none"> • To ensure suppliers meet Bank requirements for technical and functional capabilities • Maintain a transparent supply value chain while optimising costs through E-Bidding • Ensure comprehensive due diligence conducted on potential suppliers • Zero tolerance towards corruption and unfair practices • Ensuring approach and concept are both feasible and measurable • Compliance with BNM's guidelines on "credit transactions and exposure with connected parties" 	<ul style="list-style-type: none"> • Various internal stakeholders conduct assessments to evaluate supplier capabilities • E-bidding process allows for transparent sourcing and selection of most competitive suppliers through a 'live auction' online system • An independent Tender Review Committee comprising senior managers access and approve proposals above a certain threshold • Engage in a rigorous and robust process to identify and select potential suppliers based on their experience level, financial strength, years in business and industry reputation • Due diligence reviews include past performance, disaster recovery and business continuity plans, financial strength and performance • Suppliers are able to raise any concerns through the whistleblowing channel - a copy of our whistleblowing policy, including contact details, is published on our HLB website • Conduct limited scope 'pilot' tests to ensure viability of proposals and implementation plans • Signed declarations by Procurement employees confirming that they have no connection with existing suppliers
Customers 	<ul style="list-style-type: none"> • At our branches • Internet and mobile banking • Customer surveys • Telephone and via email • Social media e.g.: Hong Leong Facebook, Twitter, LinkedIn, YouTube 	<ul style="list-style-type: none"> • Reduce waiting times at branches and while making applications • Reduce number of complaints • Provide assistance to ease customers' loan burden • Protect customer data 	<ul style="list-style-type: none"> • Digital (online) initiatives that reduce queueing time • Plan to survey cash recycling terminals and relationship managers, thus enhancing service • Term loans with multilevel matrix of interest rates to suit: incomes from RM2k/month; tenures of 2-5 years; and loan amounts from RM5k • Anti-persistent threat mitigation applied to cyber threats • Engagement of experts in the Security Operations Center to help protect data security • Enforce Personal Data Protection and secrecy policy by imposing severe fines and penalties for non-compliance by employees

	Engagement Channel	Issues	Actions
Investors 	<ul style="list-style-type: none"> • Annual General Meetings (“AGMs”) • Investor roadshows • Meetings with investors • Meetings with analysts 	<ul style="list-style-type: none"> • Transparency • Information leaks, loss, theft 	<ul style="list-style-type: none"> • Compliance officers and representatives support comprehensive assurance and review program • Constant tightening of our compliance and cyber security policy to ensure zero customer information leak/theft/loss • Maintaining an independent Group compliance function • Group internal audit to conduct independent reviews
Community 	<ul style="list-style-type: none"> • SME segment engagement programs • Hong Leong Foundation’s programs 	<ul style="list-style-type: none"> • Provision of financial aid to empower SMEs • Uplifting marginalised communities through development programs • Increase financial literacy of school children • Enhancement of educational attainment of marginalised groups 	<ul style="list-style-type: none"> • Deployment of 150 community banking managers at branches nationwide to better serve the SME segment, and increase the Bank’s coverage by approximately 5 times • Support the Shariah-compliant SME Financing Scheme (“SSFS”) by SME Corporation Berhad • Support BNM schemes e.g. Fund for Small and Medium Industries 2 (“FSMI2”) and New Entrepreneurs Fund 2 (“NEF2”) • Support CGC schemes e.g. BizJamin and the Green Technology Financing Scheme (“GTFS”) • Educational initiatives such as scholarship program, after school program, and German Dual Vocational Training • Community initiatives such as food for the homeless, youth skills training, donations and other forms of aid • Initiating financial planning and education workshop targeting teenagers and school children
Regulators 	<ul style="list-style-type: none"> • Bank Negara Malaysia (“BNM”) • Bursa Malaysia • Perbadanan Insurans Deposit Malaysia (“PIDM”) • Securities Commission (“SC”) • Federation of Investment Managers Malaysia (“FIMM”) • PDPA Commissioner • Ombudsman for Financial Services (“OFS”) 	<ul style="list-style-type: none"> • Compliance with financial services legislation, including the Financial Services Act 2013 and the Islamic Financial Services Act 2013. Compliance with requirements published by BNM. • Compliance with Bursa listing requirements • Compliance with PIDM requirements • Compliance with SC requirements • Compliance with FIMM requirements • Compliance with Personal Data Protection Act • Compliance with OFS requirements 	<ul style="list-style-type: none"> • BNM’s dedicated supervisory team has oversight of the Bank. BNM conducts an annual composite risk review of the Bank, in addition to ad-hoc surveys and reviews to ensure continuing compliance with its requirements • The Bank operates a three-line defence model encompassing control embedded in the business through Business Unit Compliance Representatives (“BUCRs”), Group Compliance and Group Risk and internal audit • The Group Company Secretariat ensures the Bank meets Bursa Malaysia’s Listing Requirements • Compliance officers and representatives embedded in the business support and advise on compliance with regulatory requirements • The Group Compliance function is responsible for ensuring that controls to manage compliance risk are adequate and operating as intended, as well as to assess and monitor compliance risk within the Bank • The Bank is committed to embedding a strong compliance culture within the organization, through a wide range of initiatives including targeted compliance training for employees thus ensuring they hold appropriate accreditation and licences for the roles they perform • The Bank has established a robust Shariah Governance framework to ensure our Islamic Banking business and operations comply with Shariah at all times • The Bank keeps abreast of changes in relevant legal and regulatory requirements through monitoring the publication of new requirements by regulators, responding to consultations on new requirements, and attending training and seminars conducted by regulators



With technology moving at such a fast rate, we need to make sure our customers and communities are not left behind.



Digital Innovation



Customer Experience



Cyber Security and Data Privacy

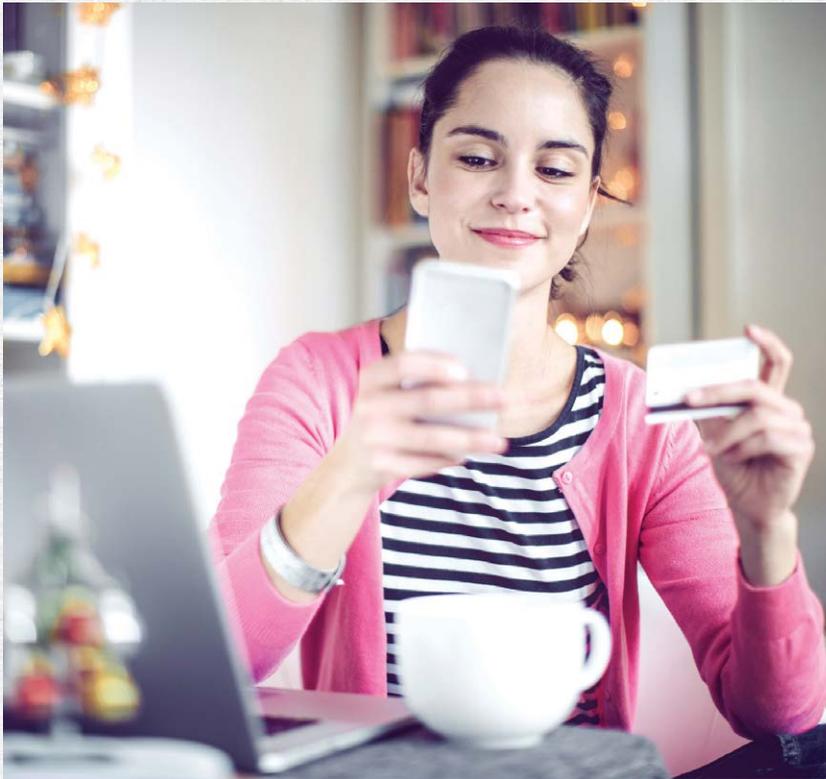


Fair Banking

HELPING CUSTOMERS

S U C C E E D

HELPING CUSTOMERS SUCCEED
DIGITAL INNOVATION



**DIGITAL
INNOVATION**



The advancement of digital technology and digital innovation has compelled corporate entities to embrace new ways of doing business in a bid to improve customer service, drive cost savings and generate new revenue streams. Embracing digital technology is no longer a choice for corporates, but an essential component of a sustainability strategy to ensure the organization’s continued relevance and competitiveness. We also recognize that the push towards digitisation is essential to develop a sustainable banking industry in Malaysia. As a leading financial institution in the country, we believe that we have a key role to play in spearheading the transition of the banking industry on to the digital age.

To accelerate our digitisation agenda, we launched our Digital at the Core strategy in 2016 to ensure we evolve with and stay on top of digital trends and to help reinvent and reimagine the banking experience. Our push for digital innovation is also linked to our ambition of meeting the SDG Goal 9 to build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation while reducing the environmental impact of our operations. Spearheading the digital transformation of our banking services are two key departments: Personal Financing Services (“PFS”) Digital department and Business and Corporate Banking (“BCB”) Transaction Banking department.

HLB and HLISB digital customers base:

FY2017	Connect Retail	Connect Biz
Digital customers	1,225,466	54,432
Total customers	3,505,961	124,307
% of customers that use digital products and services	35%*	44%*



* This Digital Innovation data has been assured by an independent third party. Please refer to the Independent Assurance Report on pages 74 and 75.



RE-IMAGINING BANKING WITH OUR PARTNERS

We recognize that collaboration is a crucial element in the development of new innovations and have taken the necessary steps to forge new partnerships and collaboration. In March 2017, we introduced the HLB LaunchPad program¹ to enhance our engagement with players in the Malaysian start-up ecosystem. HLB LaunchPad is a mentorship program for technologically-focused start-ups and entrepreneurs that helps them improve their product or service offering with industry know-how and experience.

Under the program, five start-ups will undergo an intensive three-month program focused on digital innovation. Participants will acquire first-hand experience and exposure to the knowledge-base, experience and expertise of HLB's Senior Management team responsible for driving product, business and infrastructure development within the Bank, and also be exposed to the cutting-edge banking technologies already adopted by HLB. Design-thinking experts will be on hand to aid in their development, and participants will also receive an opportunity to validate their products in the market.

Through HLB LaunchPad, we hope to nurture the sustainable development of the digital banking ecosystem in Malaysia by helping new entrants gain a foothold in their chosen field.

PERSONAL FINANCING SERVICES ("PFS") DIGITAL OFFERING

In response to the massive push towards digitisation, we began in earnest in 2014 to incorporate digital technology in our services. We have since established a number of digital touchpoints under our Connect program, namely Connect Online and Connect Mobile. Through our digital initiatives, we offer customers a number of innovations that have revolutionised the way that they can interact with us, thereby providing them greater control of and access to their banking needs. Personal products available online include:

- Personal Loan Applications
- Credit Card Applications
- Current Account and Savings Account ("CASA") applications
- Fixed Deposit Placement
- Telegraphic Transfers
- Will/Wasiat Writing
- Bill Payment
- Statements

¹ For more information about the HLB LaunchPad program, please visit: <https://www.hlb.com.my/hlblaunchpad/news-events.php>

PFS INITIATIVES

1. PLACEMENT OF ONLINE FIXED DEPOSIT VIA FPX

This first of its kind service enables customers to place fixed deposits (“FDs”) online by transferring funds from financial institutions participating in FPX. This product has received overwhelming response, attracting RM2 billion in FDs within 14 months of its launch in May 2016. Online FD placements contributed about 20% of the Bank’s total during the promotion period.

2. PLACEMENT OF ONLINE FIXED DEPOSIT VIA CONNECT SERVICE

FD placement via Connect Online and Connect Mobile gives our customers greater flexibility and convenience to place their funds from anywhere through an online channel. This means that customers can manage their funds without having to visit a branch and thereby make the most of their deposits with HLB.

3. SCAN & PAY WITH ECOMMERCE VIA CONNECT MOBILE BANKING APP

This mobile payment service, initially made available at select merchants in the KL Sentral area, was expanded and made available on popular online stores such as China-based www.taobao.com. With this service, HLB’s online banking users, i.e. Connect users, are able to make payments securely to the intended merchants.

4. CONNECT APP REVAMP

The Connect Mobile app’s user interface was revamped to provide greater convenience to Connect users. The redesigned app boasts a number of features including:

- A simpler and more straightforward interface
- English, Bahasa Malaysia and Chinese language options
- Fingerprint login to ensure safer and more secure login
- User friendly three-word banking, i.e. predictive text banking. Through this function, users simply have to type in simple commands such as “Pay Astro 100” “Transfer Mom 500” to execute their transaction.
- A favourite lists category to expedite the execution of regular transactions
- Bulk payment of bills that allows for easy and convenient payment of multiple bills
- Timeline display of all banking transactions to provide an accurate and easy-to-understand overview of the activities in their account

The launch of the redesigned app is in line with the Bank’s Digital at the Core strategy that is aimed at continuous product innovation while providing a safe and secure banking experience. Through the new app, we aim to accelerate the adoption of mobile app usage as well as increase the number of mobile transactions.

5. CORPORATE WEBSITE REVAMP WITH CONTENT MANAGEMENT SYSTEM

HLB’s corporate/retail website was enhanced to make it more user-friendly. Relevant information is more readily accessible via the new website and sections are clearly earmarked for ease of site navigation. A Content Management System (“CMS”) was implemented enabling the in-house updating of content to ensure that the most up-to-date and important information is quickly made available online. This will also bring about cost savings as it eliminates the need for an external vendor to upload and manage content. The site is now available in English and Bahasa Malaysia language options. Chinese language will be rolled out in Q4 2017.

6. ONLINE CURRENT ACCOUNT/SAVINGS ACCOUNT OPENING

Connect users are able to submit personal details and attach supporting documents online in order to apply for a new current or savings account. This service speeds up the approval process and improves customer experience as they have ready access to the documents they need to provide for their new accounts.

7. PERSONAL FINANCING-I ON MULTI CHANNEL INTERFACE (“MCI”)

HLB customers can apply for Personal Financing-i through digital channels and need not provide a physical application form. Only one signature is required throughout the application, thus expediting the application and approval process.





Case Study

CASHLESS CAMPUS IN UCSI

Supporting BNM's Electronic Payment agenda to transform Malaysia into a value-added, high-income economy by the year 2020, we are collaborating with UCSI to enable its students to make payments electronically within campus.

We have introduced a new UCSI Student Card which will serve dual functions – a debit card with contactless capabilities; as well as a full-fledged student card with photo identification. The Master Card-branded student and debit card will also enable students to enjoy a comprehensive retail and online merchant payment services, further enhancing its global acceptance, appeal and usage longevity.

The Kuala Lumpur north and south campuses started using the cashless system in May 2016 following a trial run in April. To date, over 9,400 student and staff ID cards with banking functions have been issued. The Terengganu campus launched the system in May 2017. The cards are embedded with two electronic chips: one for on-campus access and identification; and another for banking transactions.

Cardholders are also registered to use our mobile app, Hong Leong Connect, which grants them a number of functionalities such as pay mobile, peer-to-peer mobile payments and cardless withdrawals. While UCSI has not made the cashless system mandatory, it has actively encouraged and promoted its use.

To encourage small business operators to install terminals required for digital payments, HLISB has rolled out pay mobile, which can be operated using tablets. All outlets in UCSI campuses have agreed to open Hong Leong accounts so they can accept payments via smartphones. Tablets with the Hong Leong Connect app generate QR codes that capture payments made via mobile devices.

8. ONLINE ISLAMIC FIXED DEPOSIT ("EFD-I") AND EFD-I VIA FPX VIA HONG LEONG CONNECT MOBILE

Similar to conventional FDs, Connect mobile users are able to conveniently and securely place and withdraw their eFD-i through the Connect mobile banking app. The same is also true for Islamic FDs placed via FPX transfer thereby providing our Islamic banking customers the same convenient access enjoyed by our conventional banking customers.

9. UCSI UNIVERSITY DEBIT CARD-I

HLISB collaborated with UCSI to issue a Debit Card-i to students and staff. In addition to its function as a regular debit card, it also performs a dual function as a student or staff card. The launch of the card aims to promote the development of a cashless campus ecosystem in line with the national agenda of building a cashless society.

10. CASHLESS ATM (“CATM”) PAYMENT FACILITY FOR LEMBAGA ZAKAT SELANGOR

HLISB together with Lembaga Zakat Selangor (“LZS”) launched the first ever Cashless ATM (“CATM”) payment facility which allows the user to use the debit cards of participating banks to electronically transfer funds from their Current or Savings Account for the payment of Zakat. This is a new facility leveraging on existing Self Service Terminals (“SST”) as an additional cashless zakat collection channel. Through this facility, which is connected via the MEPS network, both user and LZS accounts are debited and credited on a real-time basis.

11. AUTOMATION OF COMMODITY TRADING FOR PERSONAL FINANCING-I

Through this service, users are no longer required to manually perform commodity trading resulting in faster turnaround times and greater competitiveness. End-to-end automation has also improved the efficiency and elimination of errors in executing commodity trading transactions manually.

12. ONLINE PERSONAL FINANCING-I

Customers are able to seamlessly initiate an online application for Personal Financing-i via the HLISB website. All applications received are directed to Telemarketing, which will then conduct a follow-up with the customer within one business day.

13. CASHLESS ATM PAYMENT FACILITY FOR MAJLIS DAERAH HULU SELANGOR (“MDHS”)

HLISB has provided Majlis Daerah Hulu Selangor with a Cashless ATM (“CATM”) payment solution allowing users to transfer funds from their Current or Savings Accounts for the payment of related council taxes and rentals. This service provides customers with the flexibility of making payments at nearby accessible counters rather than having to visit the Majlis’ counters.

14. APPLICATION PROGRAM INTERFACE (“API”) CONNECT

API Connect is a sandbox environment giving FinTech and other solution developers a platform to test their products and subscribe to HLB’s API services online. API services will be launched in phases, with one expected per quarter.

15. OPT-IN OPT-OUT FOR DEBIT CARD (WAVE)

The Wave system offers better debit card transaction security and convenience by enabling contactless debit card payments. Customers will be able to opt-in and opt-out of this service through our mobile and retail internet banking services.

16. BRANCH DELIVERY SYSTEM DIGITAL APPLICATION

This application is designed to help our customer relationship officers better understand customer needs and more efficiently fulfil their requests and to cross-sell our banking products. With this app, our officers are able to access our banking customers’ full banking details within minutes and identify areas where customer needs can be better served. Six branches within the Klang Valley – the Jalan Perak, Sri Petaling, Bandar Mahkota Cheras, Kota Damansara, Bandar Putri Puchong and Taman Midah branches – have been selected to pilot the application beginning Q3 2017.

17. REAL-TIME BALANCE TRANSFER (“BT”), CALL FOR CASH PLUS (“CFC+”), FLEXI-PAYMENT PLAN FOR CREDIT CARDS

The online application via our retail internet banking for these credit card related products will expedite the application and approval processes resulting in greater customer experience and convenience.





BUSINESS AND CORPORATE BANKING (“BCB”) DIGITAL OFFERING

HLB’s BCB customers are given a suite of tools to help better manage their banking needs. Services available to all our BCB customers include:

1. Making account inquiries online including:
 - Balance Inquiry
 - Transaction History Inquiry
 - Daily Statement
 - Monthly Statement
 - Government Service Tax (“GST”) Tax Invoice
 - Debit & Credit Notes
 - Tawarruq Statement
 - Bill Payments
 - JomPAY remittances
 - Payroll payments
 - eShares and eDividend remittances
 - Payments to statutory bodies (e.g. Employees Provident Fund (“EPF”), Social Securities Organization (“SOCSO”), Pilgrims Fund Board (LTH) and Inland Revenue Board of Malaysia (LHDN))
2. Cheque Management: Requesting new cheque books and ordering stop payment on cheques
3. A wide range of remittances including:
 - Fund Transfers (Current Account and Savings Account and Loans)
 - IBG, RENTAS and Foreign Telegraphic Transfers (“FTT”)
 - FPX/eProcurement transfers
4. Trade transactions including requesting trade transaction history, limits and utilisation, necessary forms, as well as debit/credit advice and tax invoice downloads
5. Treasury functions, i.e. Money Market and FOREX inquiries
6. Collections via direct debit payments

Meanwhile, the Bank is also enhancing our Connect GOV program for the Government Financial and Accounting Management System (“GFAMS”). The upgrade to Connect GOV is in line with the Accountant General’s requirement that the Government embark into a web-based banking system.

BCB INITIATIVES

A number of other digital innovations are being finalised for implementation in the near future.

- 1. FPX 24X7 SERVICE**
HLB is the only local bank that offers FPX 24x7 service via Hong Leong Connect BIZ to Corporate Customer.
Future initiatives: FPX mobile optimization and MSIC code validation
- 2. E-MANDATE FOR DIRECT DEBIT**
Implementation of e-Mandate for Direct Debit customers where the turnaround time to onboard Direct Debit payers is shortened from 11 days to 2 days. The shortened turnaround time enables the collection service to start earlier.
- 3. LAUNCH OF CONNECT BIZ VIETNAM**
Launch of Hong Leong Connect BIZ Vietnam for HLVN business customers to access online banking facilities.
Future initiatives: Launch of Connect First Cambodia
- 4. MIGRATION OF DIRECT DEBIT TO INTER-BANK GIRO (“IBG”) DIRECT DEBIT**
Migration of Direct Debit to IBG Direct Debit has improved the customer experience. Customers are now able to submit multiple Direct Debit transactions, resulting in an increase in the number of processing windows and SMS/email notifications to each payer.
- 5. HONG LEONG CONNECT BIZ 24X7**
Hong Leong Connect BIZ users are able to initiate and approve online transactions 24 hours a day, 7 days a week.
- 6. PAYMENT TO LEMBAGA ZAKAT SELANGOR (“LZS”)**
Ability to pay Lembaga Zakat Selangor via Hong Leong Connect BIZ.
- 7. CASHLESS ATM FOR MAJLIS DAERAH HULU SELANGOR (“MDHS”)**
Cashless ATM as another payment channel for Assessment Tax and other bills. Collections are via Debit Card as Intra-bank transfer and Instant transfer (MEPS IBFT). Data file and report send to LZS on T+1 via Secure File Transfer Protocol (“SFTP”).
- 8. CONNECT GOV ROLLOUT FOR GOVERNMENT FINANCIAL AND ACCOUNTING MANAGEMENT SYSTEM (“GFAMS”)**
An Accountant General’s requirement to embark into web based banking system for the government. Enhance current Connect GOV to cater for current GFAMS requirements.
- 9. CONNECTFIRST FOR CORPORATE CUSTOMERS**
New comprehensive cash management to digitise the needs of corporate customers and eliminate manual processings.
- 10. E-TOKEN**
Replace existing hardware Tokens for payment approvals with more environment friendly e-Tokens.
- 11. CUSTOMER ONBOARDING EXPERIENCE DIGITISATION**
Digitisation of customer account opening and onboarding to online banking to improve turnaround time, customer experience and elimination of manual processing.

ConnectFirst features



Electronic Invoice Presentment & Payment

Receivables Management: Issuance of e-Invoice
Collection Management: Payment and Reconciliation



Treasury

Forex Contract Management
Money Market Placement



Virtual Account

Account number for easy identification of collection and payment transactions



Liquidity Management

Sweeping
National Pooling
Investment Sweep and Inter-Company Loan



e-Investment

Online investment management allows corporates to place and withdraw term deposits.



Supply Chain Financing

Trade Supply Chain profiling, documentation, financing monitoring, statistics, message centre & audit trail.



Trade Application

Online submission of application for the issuance of trade documents e.g. Letter of Credit, Shipping Guarantee, Bank Guarantee, etc.

HELPING CUSTOMERS SUCCEED

CUSTOMER EXPERIENCE



CUSTOMER EXPERIENCE

G4-PR5

As a financial services provider, we seek to meet the needs of our customers. Customers are our *raison d'être*. They determine our goals, and define our strategies. We realise that in order to grow sustainably, we need to ensure our customers are constantly satisfied, if not delighted, not only with our products and services but also the way in which these are delivered. Customers, moreover, are our most influential brand ambassadors. Enhancing our customer experience with user-friendly and relevant products as well as services is important to maintaining a reputable brand image.

We work constantly towards enhancing our customer experience. During the year under review, various initiatives were undertaken to reinforce a 'customer first culture' by enabling everyone in the Bank to have insight into what our customers think of us, in real time.

- Our social media team prepares daily reports on customer feedback on Facebook, Twitter and various other forums to our GMD/CEO and other members of the C-Suite as well as their direct reports. This enables us to pinpoint issues that we need to address immediately. On a bank-wide scale, feedback is also regularly shared with the operational team on the ground for appropriate action.
- We launched real-time survey feedback across all channels (branches, contact centres, digital banking, self-service terminals) and also across all our retail products via the product owners. With this, we are now able to measure our end-to-end customer journey, gauge their feedback in real time and close the loop quickly through proactive or reactive servicing. Customers are polled within two hours of their interaction with the Bank and the results are collected and collated in real time.
- With the above two initiatives, we have been able to gamify our team performance by creating Customer Satisfaction ("CSAT") leaderboards to encourage our frontliners to compete with each other.
- We officially launched a Customer Experience Council ("CEC"), chaired by the GMD/CEO and attended by all members of the C-Suite, anchored on our vision of 'We are digital at the core. It is that simple'. The voice of customers – from our real-time customer feedback system, our Real Time Team, customer complaints data and social media reports – is regularly reviewed in this forum and feedback embedded into our existing processes on an ongoing basis. This forum also drives the direction and progress of our innovation efforts for all customer-impacting channels and products.

**EVOLUTION OF OUR
CUSTOMER SATISFACTION SURVEYS**

Since 2014, we have engaged an independent market research agency to measure our CSAT at our six touchpoints – our branches, contact centres, online banking, mobile banking, ATM terminals and CDM terminals.

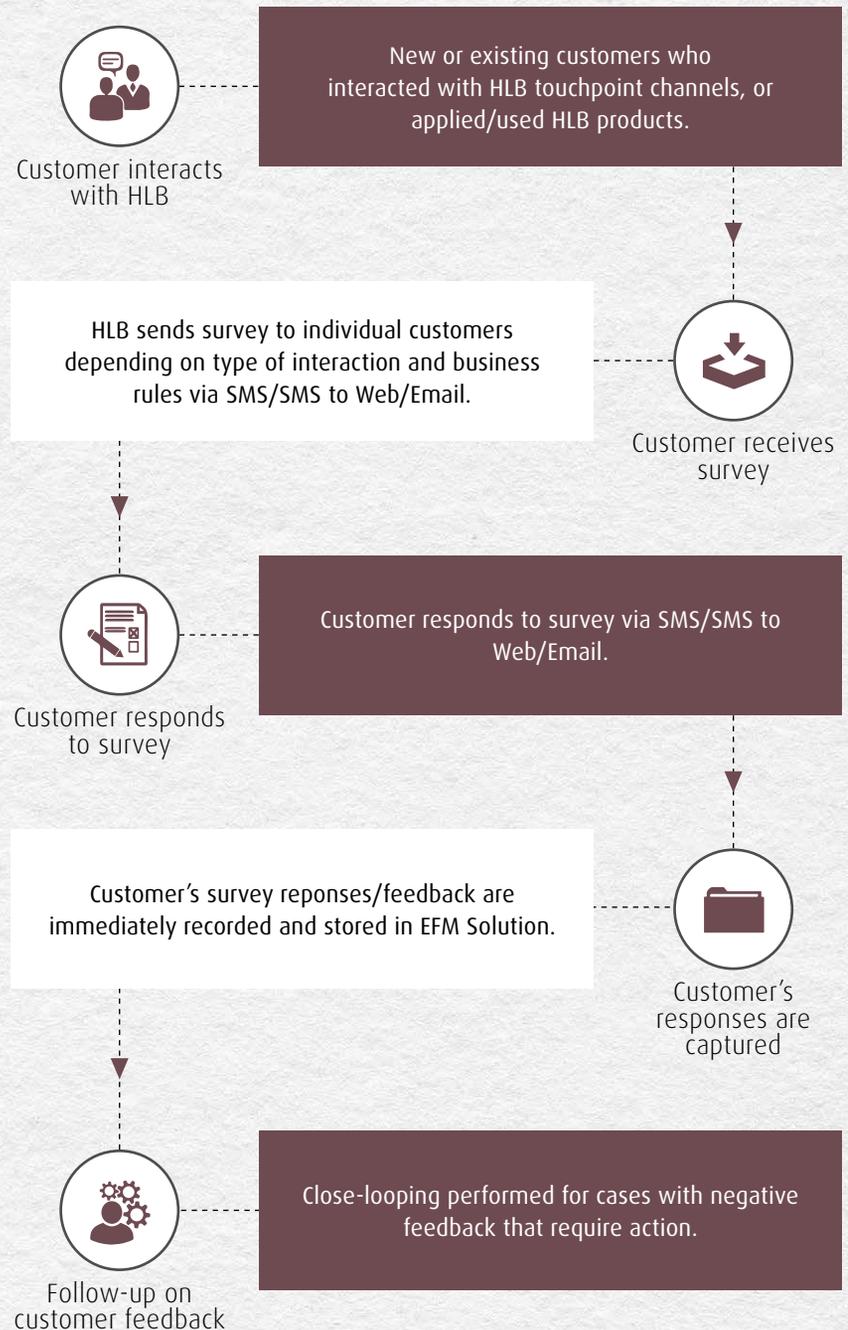
Initially, the external agency conducted surveys via computer assisted telephone interviewing (“CATI”), and provided us their results on a quarterly basis. To be more proactive, in 2016 we invested in an Enterprise Feedback Management (“EFM”) platform through which surveys are sent directly to customers and collected through several channels such as SMS, SMS to web and email. In November, we established an in-house customer survey team to focus specifically on CSAT measurement. With EFM, we have been receiving more feedback on our touchpoints, and this feedback is streaming in on a daily basis as opposed to just quarterly. With the new team, moreover, we are able to take suitable action (where needed) more promptly.

Going a step further, in March 2017 we started CSAT surveys on our products e.g. loans, credit cards and credit accounts, savings accounts (“CASA”). In order not to over-burden customers with surveys, each customer receives only one channel or product survey every three months (whichever is applicable).

The EFM ensures there can be no massaging of the survey results, as feedback is recorded directly onto the platform.

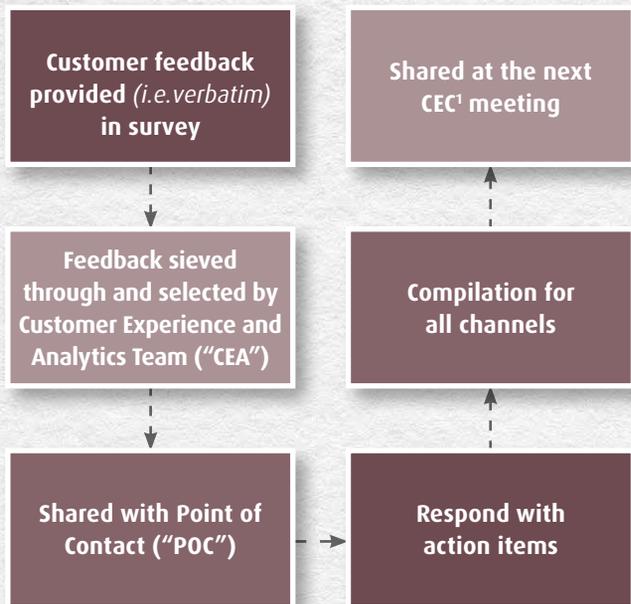
CUSTOMER SURVEY JOURNEY

HLB uses an Enterprise Feedback Management (“EFM”) platform to send out surveys via SMS/SMS to Web/Email. This means no intervention of customer feedback, which is recorded directly on the EFM platform.



CLOSE-LOOPING CUSTOMER FEEDBACK

Feedback from the channel surveys is shared with touchpoint channel owners to ensure appropriate action.



- Positive Feedback**
- Everyone, regardless of social class, is treated with respect
 - Patient in dealing with customers
 - Good service
 - Making customers feel prioritized by providing excellent service
 - Operates even on public holidays
 - CDM is faster than other banks in calculating notes



- Areas for improvement**
- Long wait times
 - Unresolved issues after consultations
 - No Mandarin language option on website
 - Malfunction of ATM machines
 - Limited ATM presence in shopping malls
 - Little privacy available at ATM machines

¹ Customer Experience Council, chaired by GMD/CEO

HLB CSAT SURVEY TOUCHPOINTS



Branches



Mobile Banking



Hong Leong Contact Centre ("HLCC")



Self Service Terminals-ATM



Online Banking



Self Service Terminals-CDM

How We Measure Our Customers' Satisfaction

Using CSAT methodology, customers rate their level of satisfaction on a product/service on a scale of 1 to 5, where 1 represents being "very unsatisfied", 4 being "satisfied" and 5 being "very satisfied". At Hong Leong Bank, we take customers who are "satisfied" or "very satisfied" (i.e. who have ticked the top two boxes, or T2B) as representing those who are happy with a particular product or service. Our aim is to achieve a T2B score of at least 80% (i.e. have at least 80% of customers in T2B), or a CSAT mean of 4.

How We Fare on the CSAT Test

Since 2014, the results for most of our channels have remained fairly consistent, however we have been pleased to see our branches, online banking, mobile banking, and ATMs exceeding their CSAT mean targets in FY2017. That our customers are happy with our online banking and mobile banking (in particular mobile banking) services is especially heartening given that most financial institutions in the country are upgrading their digital products and services.

For mobile banking, for example, for the period 28 October 2016 to 30 June 2017, we achieved a T2B of 78% (approaching our target of 80%) and a mean of 4.16 (exceeding our target of 4.0).



CYBER SECURITY AND DATA PRIVACY

G4-PR8

As the world becomes more digitised, there is an ever-increasing threat of important data being accessed via unauthorised means, generally with malicious intent. High-profile security breaches have pushed the need for cyber security as a top international priority to protect the global economy.

At the corporate level, in addition to commercial losses and public relations problems, disruption of operations and the possibility of extortion, cyberattacks expose an organization to regulatory action, negligence claims, the inability to meet contractual obligations and loss of trust among customers and suppliers. We recognize this threat, and have implemented various measures to safeguard our corporate as well as customers' data.

At the core of our Cyber Security efforts lies the Information Security Governance Committee Council ("ISGCC"). Set up in November 2016, it is chaired by the GMD/CEO with the forum attended by the GMD/CEO's direct reports.

This Council acts as a cornerstone to ensure that IT/Cyber Security has management awareness and oversight, which includes overseeing the progress of IT Security control implementation, escalations and information security threat management.

Internally we have installed an Advanced Persistent Threat mitigation platform to understand the evolving forms of threat posed by hackers and fraudsters, detect these as well as prevent them from infiltrating our systems. Externally, we have engaged a reputed Security Operations Centre with regional expertise to monitor the cyber space and enhance our own vigilance.

We also keep track of cyberattacks on a global scale, and work closely with our partners to obtain intelligence from other countries around the world. Such information is used to develop relevant 'indicators of compromise' as an effective mechanism to detect potential threats early and prevent any critical security risk.

In addition to protecting the Bank from cyber threats, we also ensure the protection of personal data which includes data of our customers and employees, as required under the Personal Data Protection Act 2010 ("PDPA"), Financial Services Act 2013 ("FSA") and Islamic Financial Services Act 2013 ("IFSA"). We are committed to ensuring the confidentiality and security of personal data and maintain a Privacy Policy on our website so that employees and customers understand how we collect, use and manage personal data.

We make continuous efforts to enhance our compliance program on protecting customer and employee data. Initiatives include:

- i) Upon joining the Bank, new employees attending the manager's induction are given an introductory session on PDPA and secrecy laws under FSA/IFSA.
- ii) For all existing employees, in addition to the mandatory e-learning on the PDPA and IFSA/FSA, we have developed a Customer Data Secrecy Video, which uses stimulating animation to demonstrate the different instances of possible breaches and the importance of protecting the confidentiality and security of personal data.
- iii) For the purpose of highlighting specific measures which could be adopted to avoid breaches, we have issued a General Circular on the subject of Safeguarding Customer's Information and Bank Documents Outside the Bank's Premises. We are committed to developing compliance activities and strengthening our efforts in this area.



For more information, please refer to Compliance on page 46.



Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data:

Total complaints from outside parties (e.g. customers, external organizations) in FY2017: 2

FAIR BANKING

G4-PR3, G4-PR4

Fair banking is about the responsible development and marketing of financial products. This involves thorough evaluation of products prior to their availability in the market and proper communication to customers on product details and related information. As part of practising and promoting fair banking, we have partnered with regulatory bodies and other organizations in arranging events that educate the public and business enterprises about financial products that are currently available in the market. This increases public awareness of their financial options and enables them to make informed choices in selecting the right products to enhance management of their fiscal position.

We aspire to run our business in an open and transparent manner through consistent engagement with stakeholders and clear disclosure on how we approach our business. Our transparency practices include the publication of the Bank's annual financial reports, which are made available on the Bank's official website and encompass disclosure on areas such as tax and public policy.

Product brochures, terms and conditions ("T&Cs") and relevant policies are made available at points of sales as well as our online channel.



Fair banking is about the responsible development and marketing of financial products.

Regulatory guidelines and internal procedures

WE PROMOTE FAIR BANKING:

BNM GUIDELINES ON INTRODUCTION OF NEW PRODUCTS



This guideline sets out the regulatory procedures and BNM's expectations regarding the management and control of risks associated with the development, offering and marketing of new financial products and services. It also addresses the responsibilities of the Bank in ensuring products are suitable and consumers are clearly informed of the nature and risks associated with them.

BNM GUIDELINES ON PRODUCT TRANSPARENCY AND DISCLOSURE



BNM issued this guideline to improve information disclosure on products and services offered by financial service providers ("FSPs"). Adhering to the guideline, the Bank provides customers with a Product Disclosure Sheet that aims to help them make informed decisions (based on a clear understanding of the main features and risks of the product) when purchasing a financial product. It is also intended to enable customers to compare products and services offered by different FSPs when shopping for a financial product or service.

BNM GUIDELINES ON IMPOSITION OF FEES AND CHARGES ON FINANCIAL PRODUCTS AND SERVICES



This outlines the disclosure requirements and guiding principles on the imposition of fees and charges of financial products and services offered to the Bank's customers, ensuring the fees and charges levied are equitable to both the Bank and its customers.

BNM GUIDELINES ON RESPONSIBLE FINANCING



This outlines BNM's expectations on retail financing practices to inculcate responsible lending conduct by the Bank.

PRODUCT EVALUATION AND APPROVAL GUIDELINES



In conjunction with the 'Guidelines on Introduction of New Products' issued by BNM, this document provides operational guidelines in obtaining approval from the Bank's Product Evaluation and Approval Committee for any product proposal which includes the introduction of new products and enhancements, review and withdrawal of existing products.

PRODUCT TRANSPARENCY AND DISCLOSURE POLICY



Aligning to the BNM Guidelines on Product Transparency and Disclosure, this policy provides an essential guide on the Bank's expectations in promoting product transparency and disclosure standards for all departments or units and personnel engaged in the development, distribution and marketing of the Bank's financial products and services.

GUIDELINES ON DISCLOSURE OF DEPOSIT INSURANCE INFORMATION



Issued by Perbadanan Insurans Deposit Malaysia ("PIDM"), these guidelines ensure that depositors receive accurate and timely information regarding deposit insurance.

COMPLIANCE WITH SHARIAH

HLISB is guided by our Shariah Governance Framework which ensures our Islamic banking operations conducted by relevant stakeholders comply with Shariah principles and procedures. This framework is developed by our Shariah Governance Committee and overseen by our Group Risk Management Committee.

CREATING PUBLIC AWARENESS OF FINANCIAL LITERACY

We participated in the following initiatives that serve to create greater public awareness of the availability of financial products:

• **BNM Karnival Kewangan**

In January 2017, various financial institutions including the Bank, took part in the BNM Karnival Kewangan at Putra World Trade Centre ("PWTC") in Kuala Lumpur, Malaysia. The objective of this carnival was not only to elevate public awareness of the offerings of financial products and services in the market but also to raise their financial literacy. The Bank sponsored 60 secondary school students and their accompanying teachers to participate and visit the various booths set-up during the carnival.

• **Briefing on Assistance for SMEs from financial institutions**

Our customers were invited to attend briefing sessions held by BNM in different regions across Malaysia. The purpose of the briefing sessions was to provide awareness and knowledge that would assist customers to better manage their financials and cash flow.



BNM Karnival Kewangan in January 2017 at Putra World Trade Centre ("PWTC"), Kuala Lumpur.



A sustainable performance culture remains essential for our long-term success and positive stakeholder relationships. We seek a culture that aligns risk and return, attracts and develops highly capable individuals, fosters teamwork and partnership, and is sensitive to the society in which we operate. A sustainable performance culture will become an increasingly important factor in positioning ourselves as a leading bank.



Employee Experience

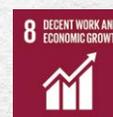


For more information, please refer to page 38.

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES

EMPLOYEE EXPERIENCE

G4-LA1, G4-LA2, G4-LA4, G4-LA9, G4-LA10, G4-LA11, G4-LA12, G4-LA16



Today, as we respond to changes in the way our customers wish to interact with us, and to create greater work efficiencies, our more than 8,000 employees are having to adapt to our Digital at the Core Strategy. They are managing the change quite seamlessly, as they have done to other changes in the past, reinforcing our ability to stay ahead of the competition.

The quality of our people, and their intellectual agility, is reflective of the emphasis Hong Leong Bank has always placed not only on recruiting the right people but also the right mix of people in order to safeguard our sustainability. We believe in bringing on board the best talent from diverse backgrounds as diversity enriches our capacity to create and innovate, and enables us to respond more effectively to a dynamic and demanding financial landscape.

Our recruitment policies are integral to a commitment to being an equal opportunities employer. This means providing job opportunities based on individual merit, irrespective of race, gender or cultural background. As a result, we have a good representation of the different races in the country as well as of the different age groups, enabling us to better anticipate and understand the expectations of a multicultural and wide age-ranging customer base. We have also attained a healthy gender balance, with women making up 63% of our total workforce, 42% of senior management, and 25% of C-Suite.

More generally, our Human Resources (“HR”) policies are geared towards ensuring we have the right framework to attract and retain the best people. Within this framework are programs to develop and progress the careers of our talent, engage them and protect their well-being. It also ensures we have attractive remuneration packages and employee benefits that have been benchmarked against best industry practice.

We believe in providing our employees with a stimulating and engaging work environment. Our new headquarters in Kuala Lumpur’s Damansara City – Menara Hong Leong – presents a new employee experience complete with the full complement of tools and technologies for a new way of working that is driving greater agility, mobility and productivity to serve the community better.

In 2016, we also conducted our first employee survey, themed ‘My Thoughts, Our Future’, to better understand how we can best respond to our employees’ needs and expectations hence establish ourselves as an employer of choice.

Through our union policies, we make known our commitment to the right to freedom of association and collective bargaining. We adhere to all regulations on labour standards, including those related to the minimum wage. Our labour standards are communicated to new recruits upon joining HLB, and are available in English as well as the local languages of the foreign countries in which we operate.

Total number and breakdown of new hires:

	HLB			HLISB		
	FY2015	FY2016	FY2017	FY2015	FY2016	FY2017
New Hires						
Total number	2,122	1,649	1,745	96	44	45
Senior Managers	41	27	40	2	5	1
Managerial	354	204	307	20	8	13
Executives	1,726	1,418	1,398	74	31	31
Non-executives	1	0	0	0	0	0
Age Group						
Below 30 years	1,343	1,049	1,037	57	16	19
30 - 50 years	762	587	697	38	28	26
Above 50 years	17	13	11	1	0	0
Female	1,188	944	967	41	19	12
Male	934	705	778	55	25	33

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES

EMPLOYEE EXPERIENCE

ATTRACTING TALENT

HLB is committed to the recruitment of local graduates in building our talent pool as part of our ambition to develop home-grown leaders. We believe that this practice is essential to not only meet our recruitment goals but also to contribute to the professional and career development of the communities in which we operate. In doing so, we contribute to the overall sustainability of the Malaysian job market while fulfilling the staffing needs within our organization.

Our structured Graduate Trainee and Management Associate program guides young talent to prepare for the workforce. From the very start, we encourage the development of a culture of ownership and accountability to ensure that our program participants develop the right mindset during their initial phase of their working life. This culture is also reinforced through their assessments, and we rightly reward participants who exemplify these qualities.

We seek out potential candidates from various platforms including our very own HLB and HLISB career web page. We also work with other job portals such as Jobstreet, as well as professional platforms such as LinkedIn to identify talents. Meanwhile, HLB and HLISB participate in career fairs throughout the country in collaboration with various agencies such as GRADUAN, an agency specialising in the placement of fresh graduates.

We are constantly on the lookout for brilliant, creative, ambitious and forward-thinking talent who will propel our continuous growth. In order to attract such talent, we strive to maintain our market reputation for being not only an outstanding financial services provider but also an employer of choice that offers rewarding career opportunities and a dynamic workplace.

From September 2017, HLISB's Graduate Trainee Program ("GTP") will provide fresh graduates with holistic knowledge of Islamic banking in addition to exposure to effective management of risk and compliance. The program will help them to adopt and maintain industry leading standards across various businesses and functions.





PFS Regional Manager Operations Workshop



Sales Rally



Branch Manager Academy



Emerging Leadership Program

DEVELOPING OUR TALENT

We believe in providing our employees with continuous training and development in order to help them realise their potential. Internal and external training programs are organized according to our needs, as well as to upskill our employees. These fall under four broad categories: Leadership, Technical/Products, Soft Skills and Accreditation/Certification.

LEADERSHIP TRAINING PROGRAMS

For our Leadership Programs, we enrol employees with identified potential to take on managerial and leadership roles and groom them to take on these positions as they grow their career. In FY2017, we conducted four leadership programs for over 600 participants:

Program	No. of Attendees
Emerging Leadership Program	312
Advancing Leaders Program	41
Branch Manager Entrepreneurial – Team Leadership	162
Branch Manager Entrepreneurial – Driving Performance	184

TECHNICAL AND PRODUCT TRAINING PROGRAMS

Technical and product training is targeted at employees involved in the rollout of new products and to those who deal with customers on a daily basis.

SOFT SKILLS TRAINING PROGRAMS

Training in soft skills such as communication, customer service and interpersonal relationships is provided to all employees as these enhance their professionalism, effectiveness and productivity.

ACCREDITATION PROGRAMS

Subsequent to an industry-wide Joint Declaration commitment to professionalise the banking industry, personnel involved in critical key functions such as credit, compliance, risk and audit are required to have relevant specialised qualifications in assurance of their ability to carry out their functions professionally.

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES
EMPLOYEE EXPERIENCE

Average hours of training per year per employee by gender, and by employee category:

Classroom Training	FY2015			
	SM	M	E	NE
Total number of employees	298	2,906	3,450	1,919
Total number of training hours provided to employees	10,372	98,963	80,481	24,304
Average training hours per employee	34.80	34.05	23.33	12.66

E-Learning	FY2015			
	SM	M	E	NE
Total number of employees	288	3,328	4,151	1
Total number of training hours provided to employees	1,084	14,414	17,486	3
Average training hours per employee	3.76	4.33	4.21	3.00

Classroom Training	FY2016			
	SM	M	E	NE
Total number of employees	312	2,661	2,632	1,247
Total number of training hours provided to employees	10,533	90,391	60,405	10,278
Average training hours per employee	33.76	33.97	22.95	8.24

E-Learning	FY2016			
	SM	M	E	NE
Total number of employees	312	4,320	3,275	116
Total number of training hours provided to employees	2,318	32,138	23,348	793
Average training hours per employee	7.43	7.44	7.13	6.84

Classroom Training	FY2017			
	SM	M	E	NE
Total number of employees	295	2,527	2,661	614
Total number of training hours provided to employees	8,629	105,122	87,638	7,248
Average training hours per employee	29.25	41.60	32.93	11.80

E-Learning	FY2017			
	SM	M	E	NE
Total number of employees	284	3,256	3,925	535
Total number of training hours provided to employees	1,598	23,067	30,427	1,083
Average training hours per employee	5.63	7.08	7.75	2.02

SM: Senior Manager; M: Manager; E: Executive; NE: Non-executive

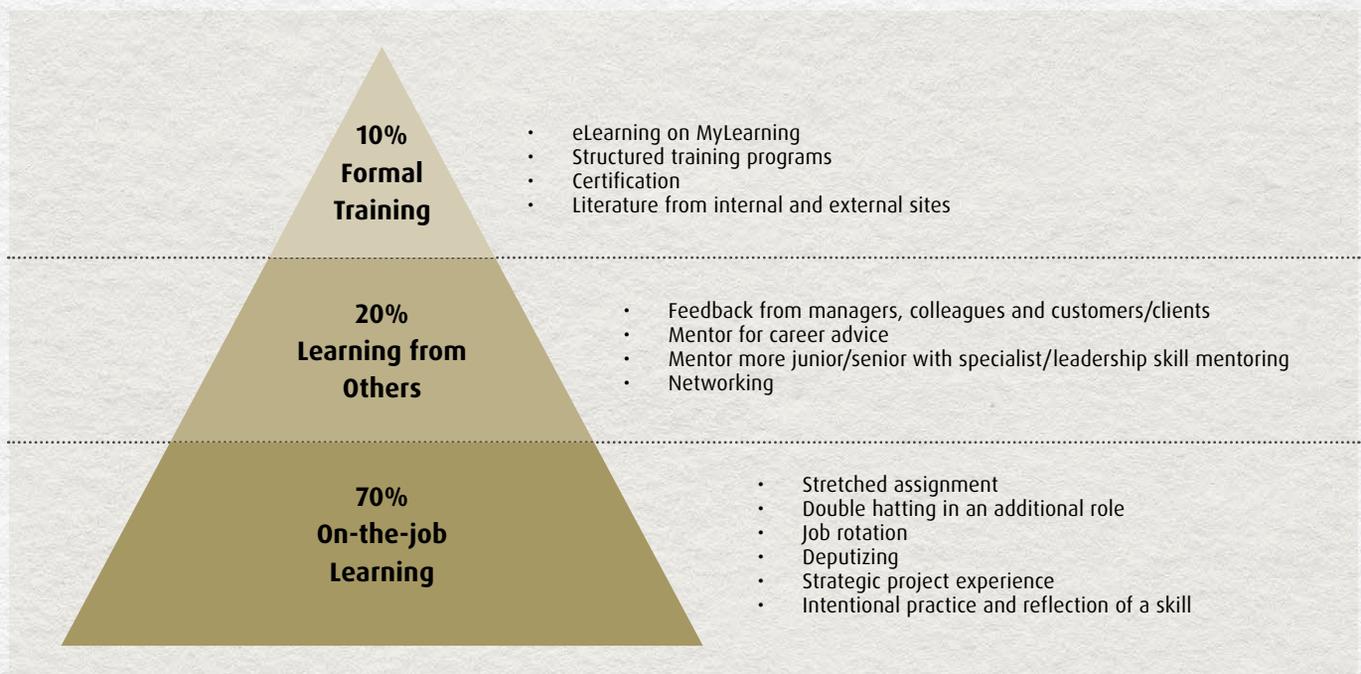
The average e-learning training hours per employee decreased in FY2017 compared to FY2016 as many role-specific modules were rolled out for the first time in FY2016 and were only needed to be completed during each employee's first year. Hence, many of those who completed the modules in FY2016 were not required to repeat them the following year.

In contrast, the average number of classroom training hours per employee increased significantly during the FY2017 – with the exception of the senior management category. This is due to our adoption of the 70:20:10 model which requires 10% of an individual's training and development to be fulfilled in a classroom setting.

We leverage on our membership in the Asian Institute of Chartered Bankers (“AICB”) and encourage our employees to make the most of the professional banking and financial services training programs offered by the institute. Upon completion of these programs, our employees receive the relevant accreditation or certification. At present, we have 382 employees who have received the Chartered Banker certification.

CAREER PROGRESSION AND REVIEWS

In the area of employee development, we have adopted a 70:20:10 model to provide the right mix of on-the-job learning, mentoring/knowledge sharing, and formal training.



Advancing Leader Program

Managers are actively involved in the career development of their line staff and work together with HR to develop a career framework for their respective departments and divisions. These frameworks will then be used to identify key competencies required by employees for a particular role. It also helps both the employee and manager understand the training/coaching required by the employee to develop him/her to the next level.

Under our Management Associate Program, talents go through a 21-month structured training and job rotation program to prepare for leadership roles. In February 2017, we rolled out an e-learning module on Performance Review and Development for our People Managers. The module helps our People Managers conduct our employees’ mandatory half-yearly and yearly performance reviews more effectively.

PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES

EMPLOYEE EXPERIENCE



TALENT RETENTION

Talent is core to sustaining success for any business. At HLB, we've identified four key drivers to ensure talent retention. The drivers are Leadership, Organization Culture, Talent & Development and Reward & Recognition. Managers are at the forefront of our efforts and are encouraged to have discussions with their team relating to the four drivers of talent management. This enables Managers to:

- Understand the level of engagement of High Potential Employees
- Identify specific areas of concern
- Generate insights about factors impacting talent engagement across different individuals and groups within the organization
- Build clear individual action plans to address talent engagement concerns
- Implement initiatives in response to any identified common themes or systemic issues.

EMPLOYEE ENGAGEMENT

We believe that it is important to keep our employees apprised of HLB's business vision, strategy and status, and hence employ a number of channels to communicate effectively with our people. Through our intranet network, where employees can obtain information on various Divisions, and Townhall sessions, we ensure that they are kept abreast of our strategic vision and priorities for the Group.

To ensure that our employees have a channel to communicate their opinions to us, we conducted our first Employee Engagement Survey, branded 'My Thoughts, Our Future' ("MTOF"). Results of the survey, expected in September 2017, will be used for internal analysis and guidance. In addition to the platforms from which our senior management engages directly with employees, all employees have recourse to formal grievance channels to voice any work-related issues. These grievances are forwarded to the appropriate members of management and dealt with in a timely manner.

In keeping with our communication efforts, the Bank is developing an app which will encourage knowledge sharing and simplify learning for all employees. Termed SmartUp, this app will be made available in the last quarter of 2017 and will be open to all employees.

Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms:

	FY2015	FY2016	FY2017
Total number of grievances	2	7	2
Number of grievances addressed during reporting period	2	7	2
Number of grievances resolved during reporting period	2	7	2
Number of grievances filed prior to the reporting period that were resolved during the reporting period	0	0	0

SAFETY AND WELL-BEING

We are committed to ensuring the safety of our employees at all times at work, and provide both armed and unarmed security personnel at all our branches. We also encourage a healthy lifestyle as we believe that physical health is critical to a sense of well-being which, in turn, plays an important part in being productive at work.

Congratulations!

On your promotion



REMUNERATION POLICY DISCLOSURE

Hong Leong Bank's rewards strategy is aligned with the Hong Leong Group's total compensation philosophy which supports and promotes a high performing culture to deliver the Bank's Vision to be a highly digital and innovative ASEAN financial services company. The rewards strategy focuses on providing a competitive remuneration and benefits package, as well as ample career progression opportunities for employees.

The Bank's rewards framework focuses on a balanced and right pay mix to achieve the desired long-term business performance. The framework includes base pay, fixed cash allowances, performance based variable pay, sales incentive, long-term incentives, benefits and other employee programs.

The rewards framework ensures that employees are paid competitively in relation to the industry and talent market; delivered via a combination of cash and non-cash elements such as shares/share-linked instruments.

The Bank also adopts a rigorous and robust key performance indicators setting process that incorporates risk management (to fulfil risk control objectives) as part of the scorecards for each division (in particular each Head of Division). This is to ensure excessive risk-taking behaviour of staff is minimized and sufficient control mechanisms are in place.

Key performance indicators/key results areas of employees are measured and tracked diligently to ensure strong alignment of employee output to the overall business strategy and direction of the Bank.

Deferred compensation and clawbacks have been introduced in certain compensation programs at all staff levels, such as sales incentive schemes. This is to drive the right behaviours in achieving business goals and to minimise the element of risk in approved schemes.

EMPLOYEE BENEFITS

We ensure that we offer our employees remuneration and benefits packages that are on par with leading financial institutions in the country. This includes their salary to performance bonuses and various other benefits such as staff loans, medical benefits, annual/maternity/paternity/prolonged illness leave, as well as mobile phone and mileage reimbursement where relevant.



Ownership and accountability for driving a culture that reflects appropriate conduct and exceptional integrity lies with the respective business divisions, with each consistently applying central guiding standards: active and visible leadership, empowering and effective management, productive people practices that inspire our employees, and responsible and sustainable business practices.



Compliance



Ethics and Integrity



Community Banking



Responsible Lending



Managing Our
Environmental
Footprint



Supplier Assessment

CREATING STAKEHOLDER

V A L U E



COMPLIANCE

G4-PR9, G4-S08



Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the company arising from failure to comply with the requirements of applicable laws, rules, regulations and related self-regulatory organizational standards and codes of conduct.

The domestic financial services industry is highly regulated by BNM. As one of the leading financial institutions in the country, we make every effort to be fully compliant with regulations issued by BNM as well as other applicable compliance laws, regulations and standards in all of the jurisdictions in which we operate.

We have a strong corporate-wide approach to managing compliance risk with compliance officers and representatives embedded in the business. Our compliance framework is supported by a comprehensive assurance and review program. Our compliance policies and procedures are subjected to regular reviews to reflect up-to-date best practices and new regulations. These are communicated to employees on a consistent basis.

We are also committed to financial crime prevention. We continue to strengthen our financial crime control standards by enhancing our Anti-Money Laundering system to protect our customers, while also training our staff and sharing best practices with clients and partners.

CREATING STAKEHOLDER VALUE

COMPLIANCE

Whistleblowing

We operate a Group-wide Whistleblowing system which encourages employees and any party with whom we have a business relationship to report concerns to us. Our Whistleblowing Policy offers protection from retaliation, encouraging employees and third parties to speak up if they have serious concerns about any misconduct or irregularity.

Anti-Bribery and Corruption (“ABC”)

We have zero tolerance for bribery in any form. Employees are prohibited from offering, requesting or accepting bribes or other improper financial advantages. We expect all our agents and suppliers to act in compliance with applicable anti-bribery and corruption laws and regulations at all times.

Code of Conduct and Ethics

We are committed to maintaining a culture of ethics, and expect everyone at HLB and HLISB to adhere to our Code of Conduct and Ethics, which provides guidelines against Bribery and corruption among other items. All new hires are required to sign the Code, and a copy is available on our online Knowledge Portal, which is accessible by all employees. A new e-Learning module on the Code of Conduct and Ethics is being developed, while Ethics training has recently been incorporated into the new hires onboarding program.

Personal Data Protection and Secrecy

We are committed to protecting our customers’ and employees’ personal data, as required under the Personal Data Protection Act 2010 (“PDPA”), Financial Services Act 2013 (“FSA”) and Islamic Financial Services Act 2013 (“IFSA”). We maintain a Privacy Policy on our website so that employees and customers understand how we collect, use and manage personal data.

THIS YEAR, WE LAUNCHED A COMPLIANCE VIDEO ON CUSTOMER DATA SECRECY, WHICH IS SUPPLEMENTED BY WEEKLY COMPUTER SIGN-ON MESSAGES. THIS IS TO BE FOLLOWED BY A SIMILAR VIDEO ON ANTI-MONEY LAUNDERING. WE MAKE CONTINUOUS EFFORTS TO PROMOTE A STRONG COMPLIANCE CULTURE THROUGH COMMUNICATION AND COMPLIANCE LEARNING PROGRAMS FOR OUR STAKEHOLDERS ESPECIALLY OUR EMPLOYEES AND CUSTOMERS.

HongLeong Bank **HongLeong Islamic Bank**

Think before you speak !

It's everyone's responsibility to protect customers' confidentiality

This means keeping confidential any piece of information that contains personal details about the customer, or information related to their accounts, or any other transactions they have with the bank.

Financial Services Act 2013
Islamic Financial Services Act 2013
Personal Data Protection Act 2010

HongLeong Bank **HongLeong Islamic Bank**

Safeguard our customers' information in any shape or form!

This is an important responsibility as we do not want it to end up in the "wrong hands"!

HongLeong Bank **HongLeong Islamic Bank**

Customers' Information

Do's	Don'ts
<ul style="list-style-type: none"> ✓ Keep customer's information CONFIDENTIAL for life ✓ Verify identity of customer before disclosing any information ✓ Only disclose to a specific person authorized in writing by customer ✓ Lock your computer / log out from system access ✓ Escalate non-compliance 	<ul style="list-style-type: none"> ✗ Do NOT leave documents containing customer's information, company laptops or information devices (such as phones and tablets) unattended ✗ Do NOT keep documents containing customers' information in clear folders. ✗ Do NOT disclose customer's information to anyone (including customer's immediate family members) unless consented in writing by customer ✗ Do NOT WHATSAPP / SMS customer's information to anyone (including colleagues)

The above lists are by no means exhaustive



ETHICS AND INTEGRITY

G4-S03, G4-S04, G4-S05

Ethics and integrity form the cornerstones of our value system. We are fully committed to operating ethically and with integrity as we recognize the huge responsibility we have assumed in managing our customers' financial well-being.

In maintaining the highest level of ethics and integrity, we are able to reinforce the strong corporate reputation we have gained over the years from being a trusted partner to our growing number of stakeholders – not just our customers but also our business associates, suppliers, employees, local communities and the regulators.

Ethical behaviour encompasses strict adherence to internal and external standards, and leads us away from risky practices of customers/industries, thus protecting our business in the long term. To reinforce our culture and ethics, and to protect our organization from unethical behaviour, we regularly conduct risk and control assessments on all key operations across the Bank to identify and mitigate risks related to fraud and corruption.

As part of HLB and HLISB's compliance standards, anti-corruption due diligence is conducted on new business partners, including 'Know Your Customer' procedures and independent audits. Via

enhanced due diligence ("EDD") on customers' operations, those assessed to be 'high risk' are identified. The EDD includes senior management approval before establishing a business relationship, ongoing monitoring by Business Unit Compliance Representatives ("BUCRs"), retention of records for at least six years from the point of transaction and investigation into any case of corruption. These comprehensive procedures enable us to identify and address money laundering and bribery, among other issues.

We have a Code of Conduct and Ethics as well as Core Compliance Standards which we expect everyone at HLB and HLISB to adhere to. These provide guidance against corruption and bribery.

The Bank operates a Group-wide Whistleblowing system which encourages employees and any party with whom we have a business relationship to report concerns to us. Our Whistleblowing Policy offers protection from retaliation, encouraging employees and third parties to speak up if they have serious concerns about any misconduct or irregularities, including incidents of corruption and bribery in our operations. Due to our stringent enforcement of ethical standards, one staff member was dismissed for non-compliance with our anti-corruption policies.

COMMUNITY BANKING

G4-S01, FS13, G4-EC5



As a financial services provider, we have significant positive social impact on the community through the provision of quality service via awareness programs and advisory services. This helps our local communities to manage and enhance their financial well-being. We make a conscious effort to constantly ensure that all financial products and services offered by the Bank meet our customers' needs. We also strive to provide better access to our branches for under-served segments of the community and financial aid to customers from households in the lower income brackets, whilst supporting SMEs and local entrepreneurs, including start-ups.

In addition to continuous efforts to improve customers' convenience in accessing our financial products and services, we as a responsible corporate organization recognize our role in elevating the standard of living of the community.

Besides financial products and services to aid the lower income group, various philanthropic and social outreach programs are carried out by Hong Leong Group's charitable arm, Hong Leong Foundation. The initiatives provide an avenue for our employees to contribute to the community in a meaningful way. Through these initiatives, employee volunteerism is an indirect factor in enhancing their job satisfaction.

By operating responsibly and reaching out to our local communities, we are able to build strong relationships based on trust which have a significant impact on our reputation and, ultimately, our sustainability.



SUPPORTING MALAYSIAN SMEs

According to SME Corporation Malaysia's 2016 report, SMEs contributed 36.6% to Malaysia's total GDP and 65.3% of total employment. With sufficient financing, SMEs will be able to increase their overall GDP contribution and enhance the nation's social economic progress.

To support growth of the SME segment, we have positioned 33 Retail Community Business Managers at selected HLB and HLISB branches to serve SMEs with financing, deposit and wealth solutions. This is to be further strengthened with the deployment of 150 Community Banking Managers at HLB branches nationwide within next financial year, which will increase our coverage by approximately 5 times.



Please refer to our Section on Responsible Lending on more initiatives for the SMEs, page 58.

SERVING THE UNDER-SERVED

Conscious of the need to make financial services available to under-served segments of society, we have set up branches and self-service terminals in low-populated as well as economically disadvantaged areas. The low-populated areas are defined by the Economic Planning Unit (“EPU”) based on the gross domestic product (“GDP”) per capita per state in 2016.

Branches: Conventional (277), Islamic (8), Mach (11)	
Total number of points of access available in low-populated or economically disadvantaged areas	85
Total number of points of access	296
% of points of access in low-populated or economically disadvantaged areas	28.7%
Self-Service Terminals (“SST”)	
Total number of points of access available in low-populated or economically disadvantaged areas	378
Total number of points of access	1390
% of points of access in low-populated or economically disadvantaged areas	27.2%
Commercial Small Medium Enterprise (“CSME”) Centres	
Total number of points of access available in low-populated or economically disadvantaged areas	14
Total number of points of access	40
% of points of access in low-populated or economically disadvantaged areas	35%
CSME Desks	
Total number of points of access available in low-populated or economically disadvantaged areas	2
Total number of points of access	5
% of points of access in low-populated or economically disadvantaged areas	40%

The number of access points in these areas remained unchanged during the reporting period.

CREATING STAKEHOLDER VALUE

COMMUNITY BANKING

SUPPORTING START-UPS

We recognize that collaboration with the start-up ecosystem is pivotal in leapfrogging innovation in our industry.

HLB LAUNCHPAD

In March 2017, we launched HLB LaunchPad, a mentorship and developmental program targeted at nurturing Malaysian technology start-ups, especially those involved in FinTech. Under HLB LaunchPad, five start-ups were selected to undergo an intensive three-month program focusing on digital innovation within three pillars: Simplifying Banking Today, Digitising Customer Journey and Experience; and Re-Imagining Banking for Tomorrow. Participants will get first-hand experience and exposure, expertise of our Senior Management team driving products, business and infrastructure development within the Bank. In addition to accessing cutting-edge technologies already adopted by us, participants will also be trained by design thinking experts and have the opportunity to validate their products in the market.

MBAN

HLB LaunchPad is being undertaken in collaboration with Malaysia's official trade association and governing body for angel investors and clubs, the Malaysian Business Angel Network ("MBAN"). MBAN aims to put forward the agenda of Angel Investing in an all-inclusive manner for the benefit of members, the Angel ecosystem and start-ups. Hong Leong Bank is the exclusive sponsor from the banking sector to support this initiative.



Hong Leong Bank is an exclusive sponsor from the banking sector to support - HLB LaunchPad



PHILANTHROPY AND COMMUNITY OUTREACH

Our philanthropic activities are supported and managed by Hong Leong Foundation (“the Foundation”). Established in 1992, the Foundation is funded by contributions from Hong Leong Group’s companies which are professionally managed by Hong Leong Fund Management.

The Foundation focuses on two main pillars, education and community development, with a view to effect meaningful and sustainable change among the underprivileged. Programs are developed and driven by our Group Corporate Social Responsibility (“CSR”) department, which over the years has fine-tuned our approach in order to create greater impact and derive better outcomes. The Foundation believes that philanthropy is not merely about granting funds, donations or scholarships, but looking at longer positive impact and sustainability of programs. We also play a role in advocacy and building awareness.

In the long run, we aim to streamline our philanthropy and community outreach programs across the entire Hong Leong Group, focusing on the two pillars mentioned above. This would help us strengthen the effectiveness and efficiency of our programs, including tracking our progress and outcomes. It would also allow us to tap into synergies to achieve wider reach, greater impact and enhance the sustainability of our initiatives.

Our Mission



To contribute to the alleviation of poverty in Malaysia through sustainable and effective programs that:

- Improve educational outcomes for low-income students, and
- Provide financial support to alleviate the plight of abandoned and destitute senior citizens and children

Education Initiatives

UNDER THE EDUCATION PILLAR, THE FOUNDATION SUPPORTS FOUR KEY INITIATIVES:

1. TERTIARY EDUCATION SCHOLARSHIP PROGRAM

Since 1997 the Foundation has been providing scholarships to deserving students from low-income families to undertake diploma and undergraduate studies in local institutions and universities, and Master’s programs overseas. In FY2017, the Foundation awarded 32 scholarships for tertiary level studies at 14 local universities and two for Master’s programs at universities abroad.





2. REACH OUT AND RISE (“ROAR”)

This program targets students from low-income families who do not have excellent academic results yet demonstrate the potential and initiative to better themselves. The idea is to provide them with the opportunity to pursue tertiary education and to enhance their skills in important areas such as communication, IT and critical thinking. The program started in Kuala Lumpur in 2014, where 23 scholars are pursuing their Diplomas while 30 have progressed to Degree courses. A second program followed suit in Penang in 2016, where 16 trainees have completed 73.5 hours of an enrichment program, with 14 of them scoring above 80% and two scoring between 70%-80%.



3. GERMAN DUAL VOCATIONAL TRAINING

Through this 28-month program run in collaboration with the Malaysian German Chamber of Commerce and Industry (“MGCCI”) and Penang Skills Development Centre (“PSDC”), 16 underprivileged youth are being trained to receive a Diploma in Mechatronics with a MGCCI accreditation. Commencing in 2016, the trainees have completed Year 1 (Levels 1 and 2), and embarked on Level 3 in 2017. The program comprises 30% technical training at the PSDC, and 70% practical industrial training at Hong Leong Group’s companies in the manufacturing sector. At the end of the programme, the youth will be offered full-time employment within the Hong Leong Group. The trainees also participate in the ROAR program (see above).



4. AFTER SCHOOL PROGRAM

The Foundation funds an after-school care program for primary school children from low-income backgrounds, with homework guidance and support provided. The children engage in creative reading and writing activities, and develop useful soft skills. The idea is to enable the children to read and write with ease in a fun loving way to improve their command in English, instill a passion for learning at an early age, create a generation of children who are able to read and write in English fluently, improve the children's performance in school and provide an outlet for their creativity while also preventing them from loitering after school. The program, which started in 2015, had a positive impact on the 150 participating children from five schools who are now in Standard 3. So far, about 68% of them have shown improvements in English proficiency, and about half have demonstrated creative talent. The attendance rate so far has been about 95%. The program is run in collaboration with the Child Information, Learning and Development Centre with the participation of 10 teachers from the schools.

This commitment to delivering on our responsibilities is in line with the United Nations - Sustainable Development Goal 4, namely to provide quality education throughout the communities in which we operate. Since 1997 up to 30 June 2017, the Foundation has disbursed a total of approximately RM37 million in scholarships to over 1,000 recipients.

Additionally, to encourage children to strive for academic excellence, we provide cash rewards for Hong Leong Bank account holders below the age of 18 who excel in their Primary School Achievement Test, also known as Ujian Pencapaian Sekolah Rendah ("UPSR"), Form Three Assessment, also known as Pentaksiran Tingkatan Tiga ("PT3"), and the GCE O-Level equivalent also known as Sijil Pelajaran Malaysia ("SPM").

CREATING STAKEHOLDER VALUE
COMMUNITY BANKING

COMMUNITY DEVELOPMENT INITIATIVES

The following programs were sponsored by the Foundation during the financial year:

Program	Description
Food and other aid for the homeless and urban poor	Through Kechara Soup Kitchen, the Foundation provided 29,900 meals to the homeless and urban poor within Klang Valley. Funds given have contributed to support 5,327 cases in the form of medical aid, provision of shelter, employment, welfare aid, MyKad application, transport, repatriation of remains and funeral services, skills training and family reunification.
Upskilling young adults	The Foundation partnered with UniPEQ to provide F&B related skills training to 37 young adults.
Refurbishment and donation of IT and electronic devices	The Foundation, through Science of Life Studies (“SOLS”) Technology, better known as SOLS Tech, refurbished and donated 1,000 computers, benefitting 4,408 underprivileged children and 98 NGOs. The Foundation collected 386 old IT gadgets from staff in support of the tech recycling program.
NGO accelerator	The Foundation partnered with Conceprial Sdn Bhd, to help 20 staff from 10 NGOs pick up best management practices to increase their efficiencies and work towards becoming self-sustaining.
Impact formula for NGOs	The objective of this program is for the Foundation to have better insight on ways to support partner NGOs and to serve as a tracking tool for future improvement. All five NGOs adopt a yardstick for continuous improvement and be able to enhance their impact and social benefits of their causes.
Various – in support of persons in need	The Foundation worked with three NGOs to provide shelter and food as well as funding assistance for operating costs of homes benefitting 55 persons in need, including single mothers and persons with disabilities.
Various – in support of under-served children	The Foundation worked with eight NGOs to provide shelter, food, school supplies, education and other basic needs as well as funding assistance for operating costs benefitting 599 under-served children and three schools. The Foundation also supported the establishment of a 24-hour baby hatch.



MALAYSIAN COLLECTIVE IMPACT INITIATIVE

The Foundation is one of the founding members of the Malaysian Collective Impact Initiative (“MCII”). Formed in 2015, MCII is an NGO aimed at achieving systematic educational and social change in Malaysia through cross-sector partnerships. It brings together organizations from different sectors, aligning their resources and efforts to achieve common goals. The Foundation contributes an annual fee to MCII.

The founding members of MCII are driven by a common purpose:

- To improve educational outcomes, especially in the areas of literacy development and career aspirations from cradle to career.
- To create an inclusive intervention model that can be replicated across Malaysia.

MCII works to ensure that core components are developed within targeted schools for increased impact – resulting in coordinated interventions which are monitored for sustainable outcomes. It has developed an initial model in Klang, with a focus on clusters of 14 schools and their surrounding communities.

The Foundation’s Reach

SCHOLARSHIPS FOR DIPLOMA/UNDERGRADUATE AND MASTERS STUDIES, ROAR AND GDVT PROGRAMS: SINCE 1997 UP TO 30 JUNE 2017

TOTAL DISBURSEMENT: **APPROX. RM37 MILLION**

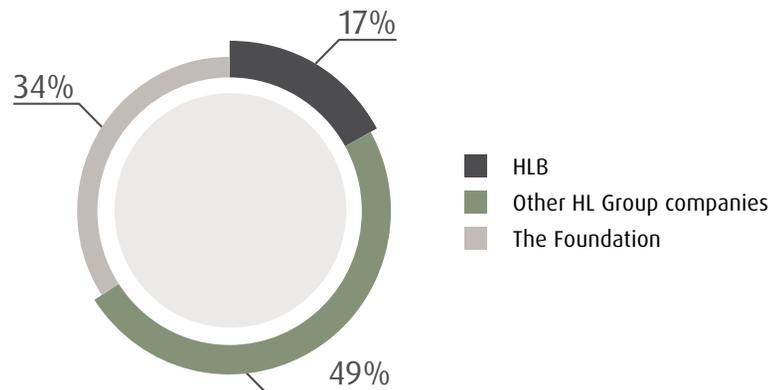
TOTAL SCHOLARS/TRAINEES OFFERED AND ACCEPTED: **>1,000**

The Foundation’s Reach	During the financial year ended 30 June 2017
Scholars	32 new scholars
GDVT trainees	16 trainees still in the program
ROAR scholars	53 scholars and 16 GDVT trainees still in the program
After school and community development programs	35,326 beneficiaries <i>*(includes direct beneficiaries, NGOs, schools and partner NGOs)</i>

EMPLOYEE ENGAGEMENT ORGANIZED BY CSR DEPARTMENT

In FY2017, the Corporate Social Responsibility department organized a Bowling Tournament as a Hong Leong Group employee engagement activity. Each Operating Company within the Hong Leong Group was required to register a minimum of one team consisting of five members, contribute RM2,000 per team and nominate a charitable organization that they would like the funds raised to be donated to. For each point earned, the Foundation contributed RM1.00. A total of RM57,738 was donated collectively by the Foundation and the Operating Companies, including HLB, to 17 charitable organizations. A total of 95 Hong Leong Group employees participated in this initiative.

TOTAL CONTRIBUTION BY ENTITY



CREATING STAKEHOLDER VALUE

COMMUNITY BANKING

COMMUNITY INITIATIVES BY HLB AND HLISB

In addition to the programs supported by the Foundation, HLB and HLISB take the initiative to support various causes on their own under their respective programs.

VARIOUS PROGRAMS IN FY2017 - HLB AND HLISB

Program	Description
Bursa Bull Charge	Two teams took part in the annual event, proceeds from which are channelled towards promoting financial literacy and entrepreneurship.
Hong Leong Group Bowling Tournament	Two HLB teams (total of 10 employees) participated in the tournament in which HLB donated RM2,000 each to Kechara Soup Kitchen and Rumah Anak-anak Yatim Sultan Salahuddin Abdul Aziz Shah Al-Haj. In addition, three HLISB teams (total of 15 employees) donated RM2,000 each to PERTIWI Soup Kitchen, Humanity Heroes Network for Somali Community School and Pertubuhan Kebajikan Anak-Anak Yatim Al-Nasuha.
School for the Visually Impaired	14 HLB senior management spent half a day with children at a school for the visually impaired, Sekolah Menengah Pendidikan Khas (Cacat Penglihatan), Setapak, Kuala Lumpur, where they participated in various activities with the students. It provided an opportunity for the sighted to experience first-hand challenges faced by the visually impaired.



Hong Leong Group Bowling Tournament



School for the Visually Impaired

Program	Description
PERTIWI Soup Kitchen	20 staff helped PERTIWI Soup Kitchen to distribute at least 500 meals and clothes to the homeless and underprivileged in the heart of Kuala Lumpur.
Bursa Bull Charge	Four employees including HLISB's Chief Shariah Officer took part in the annual event, proceeds from which are channelled towards promoting financial literacy and entrepreneurship.
Trip to Aquaria Kuala Lumpur City Center ("KLCC")	HLISB took more than 100 refugee children from Somalia, Iraq, Afghanistan, Myanmar, Syria and Palestine to the Aquaria KLCC, followed by a picnic lunch.
Donation to Homes	In conjunction with Ramadhan, HLISB disbursed a total of RM22,022 to four homes that are not zakat recipients – Persatuan Kebajikan Anak-anak Istimewa Selangor, Pertubuhan Harapan Anak Cerebral Palsy Malaysia, Tasputra PERKIM and Rumah Perlindungan Baitul Fiqh.
Chinese New Year ("CNY") cake distribution	In support of the Autism Café CNY cookie project, HLISB bought 80 jars of kuih kapit which were given to employees at headquarters. Employees on their own initiative bought additional cookies from the café.
#QuranHour bersama Rakan Jalanan	300 packets of cake (kuih, Malay) were distributed to homeless Muslims in Kuala Lumpur who participated in the #QuranHour bersama Rakan Jalanan spiritual replenishment program.
Trip to the zoo	Volunteers took 36 Somali refugee children on a half-day edutainment trip to Zoo Negara, accompanied by three teachers.
10 sen marketplace	HLISB staff donated preloved clothes to a 10 sen marketplace which took place at Taman Flat Permai in Puchong, where the underprivileged could buy any item at only 10 sen each.
Sg Klang breakfast	A team distributed 300 packets of nasi lemak and 300 packets of kuih muih to the homeless in Sg Klang.
Dates for orphans	5kg of dates were distributed to four homes – Pusat Jagaan NURI, Gombak; Rumah Bakti Nur Syaheera, Cheras; Madrasah Hashimah, Selayang; and Rumah Perlindungan Al-Nasuha, Gombak – where they were enjoyed by about 245 orphans.
Giant vouchers for 20 families	HLISB gave away RM5,000 worth of Giant (Hypermarket/Supermarket) vouchers to 20 families, to help pay for their groceries.
Iftar* with children	Iftar was celebrated with 90 orphans aged between two years to 17 years from Rumah Perlindungan Al-Nasuha, Gombak and 50 Rohingya refugees from Sekolah Al-Iklas, Selayang.
Free market bazaar	HLISB contributed Tesco Hypermarket vouchers worth RM2,000 to refugees and RM2,500 worth of Kentucky Fried Chicken ("KFC") vouchers to a charity bazaar organized by Global Arabic Centre.
Rice campaign	HLISB supported an AIBIM campaign to distribute 100 packets of rice, each weighing 10kg, to 400 underprivileged families at Masjid Al Bukhary Bukit Bintang.
Meat Infaq	HLISB contributed three whole lambs to three orphanages – Rumah Anak Yatim Baitul Fitrah, Rumah Kanak-kanak Nur Sala Chow Kit and Rumah Anak Yatim No. 535/10, Changkat Persekutuan.
Jam tarts distribution	In conjunction with Hari Raya, HLISB distributed jam tarts from Silent Teddies, a social enterprise started by The Community Service Centre for the Deaf, to employees.
Kelantan donation	HLISB contributed RM1,000 worth of Giant (Hypermarket/Supermarket) vouchers each to the Kelantan State Economic Development Corporation and Madrasah Kota Bharu in conjunction with Ramadhan.

* Iftar (i.e. breaking of fast during the Muslim month of Ramadhan)



RESPONSIBLE LENDING

G4-FS7, G4-FS8

Responsible lending is about ensuring continuous efforts to embed socially, financially and environmentally responsible behaviour within the Bank. This comprises the consideration of social implications of our products and services as well as taking the conscious stance of not financing customers (individuals or organizations) whose actions create a negative impact on society.

We conduct our lending activities according to internal and local regulations in ethical practices, safeguarding the environment, human rights and labour rights. HLB and HLISB have various policies on personal and business financing that lay out our social obligations to customers. Our lending activities are guided by our internal risk appetite policies, as well as local regulations on safeguarding the environment, human rights and labour rights. These include the Child Act 2001 and Anti-Corruption Act 1997, among others. We have a grievance mechanism inclusive of human rights which is accessible to both internal and external stakeholders. As a result of strict adherence to our guidelines, to date this mechanism has not been activated as there has been no human rights violation across the Group.

Risk assessments are undertaken to ensure we abide by guidelines on lending to schools, places of worship, projects with environmental concerns or potential displacement of human habitats, and forestry projects. We ensure borrowers comply with all relevant rules and regulations related to their industries, such as the Environmental Quality Act 1974, Forest Enactment Act 1932, Round Table on Sustainable Palm Oil (“RSPO”) guidelines, Malaysian Timber Certification Scheme and Betting Act 1953. With continuous assessment of customers, any subsequent non-compliance may result in the termination of their loans.

Through responsible lending, we also reinforce our support of national and global Anti-Money Laundering (“AML”) and Counter Financing of Terrorists (“CFT”) efforts to address risks and vulnerabilities associated with money laundering and terrorist financing.

We have also established a Restructuring and Rescheduling Policy to assist customers who are struggling to serve their debt obligations. It helps to improve and restore our customers’ liquidity position and to assist them in better managing their finances.

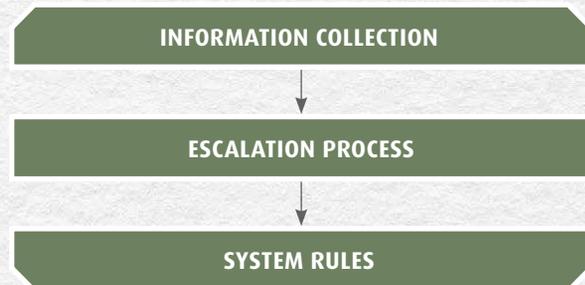
HOW WE ENSURE RESPONSIBLE PERSONAL FINANCING

Responsible Personal Financing assists us to ensure our financing is sustainable and is intended to address the suitability and affordability of financing products to retail consumers.

- Our Personal Loan Department and PFS-i help customers consolidate their debts into friendlier term loans (please see case study on Restructuring and Refinancing below).
- Our Share Margin Financing Department intends to initiate financial planning and education workshops targeting teenagers and school children. This will act as a platform to cultivate financial literacy among the future generation.
- HLISB is also a distributor of will writing services, providing customers access to better financial and estate planning.

HOW WE ASSESS SOCIAL RISKS IN PERSONAL FINANCING

Our Credit Evaluation Department is responsible for assessing the credit worthiness of potential borrowers.



As part of our efforts to be inclusive, we aim to extend financial aid to vulnerable segments of society and have specific lending guidelines towards this end. To facilitate transactions for people with disabilities, we are launching a card that will allow pin bypass for point of sale transactions.

WHEN DO WE HAVE TO ASSESS SOCIAL RISK

URBAN (GLOBAL DEBT SERVICE RATIO: GDSR)

- Annual Income below RM24K: Max GDSR 50%
- Annual Income between RM24K to RM36K: Max GDSR 60%
- Annual Income between RM36K to RM60K: Max GDSR 60%
- Annual Income above RM60K: Max GDSR 85%

NON-URBAN

- Annual Income below RM24K: Max GDSR 50%
- Annual Income between RM24K to RM36K: Max GDSR 60%
- Annual Income between RM36K to RM60K: Max GDSR 85%
- Annual Income above RM60K: Max GDSR 85%

URBAN (DISPOSABLE INCOME: DI)

- Single Income/Single Application: Min DI RM850
- Household Income/Joint Application: Min DI RM1,200

NON-URBAN

- Single Income/Single Application: Min DI RM850
- Household Income/Joint Application: Min DI RM850

Case Study

RESTRUCTURING AND REFINANCING

While we will not finance individuals or businesses that are unable to repay their debts, we acknowledge that many customers are likely to face challenges in meeting their debt obligations; and we are there to offer financial help. In addition, we help low-income individuals establish some form of financial security for their families through life insurance products. In FY2017, a total of RM565 million was disbursed in the form of Personal Loans, and RM40.245 million in Property Loans, whilst the total disbursement for Insurance amounted to RM655,000.

CREATING STAKEHOLDER VALUE

RESPONSIBLE LENDING

Responsible refinancing and life protection

	Personal loan	Insurance
Name	Hong Leong Personal Loan	Hong Leong Smart Cash Insurance
Purpose	To assist applicants ease the burden of their debt via: <ul style="list-style-type: none"> • The provision of readily available cash upon request • Consolidating existing debts to a friendlier term loan 	To offer affordable life insurance for as low as RM100 per month for protection during prime working years. It also serves as a savings plan upon maturity.
Product description	The loan consists of a multilevel matrix of interest rates that ranges according to applicants' income, tenure and amount applied: <ul style="list-style-type: none"> • Income: RM2,000-RM3,999; >RM4,000 • Tenure: 2 - 5 years • Amount: RM5,000-RM250,000 	Protection and simple savings plan up to age 80 with the following features: <ul style="list-style-type: none"> • Guaranteed triennial cash payments • Guaranteed protection – death and total and permanent disability coverage up to four times during prime working years • Guaranteed maturity benefit – payable on 100% of basic sum assured or accumulated triennial guaranteed cash payment • Guaranteed limited pay – premium payable up to age 55
Target social group	<ul style="list-style-type: none"> • The sandwich generation – families with 2/3 kids and ageing parents to care for who face rising costs of healthcare and education • The start-up family – new age couples, raising young children and facing the financial strains of mortgage and car loans while trying to set aside for future education expenses • The aggressive entrepreneur – the businessman/woman with huge dreams and a viable business model but without the capital 	Lower income group
Total Funding/ Premium as at June 2017	RM527 million	RM644,000

We also fully support the Government's agenda of ensuring all Malaysians are able to own their own homes, and provide special housing loans for that purpose. A total of RM34 million in financing has been approved for the following three schemes as at June 2017.

Name	Special Housing Loan	Skim Rumah PertamaKu (My First Home Loan)	Skim Jaminan Kredit Perumahan ("SJKP")
Purpose	BNM initiative to ensure purchasers of affordable housing have access to financing at reasonable cost.	Government initiative guaranteed by Cagamas SRP Bhd to assist young urban adults (below age 40) who have just joined the workforce (and earn less than RM5k/month individually or RM10k/month as a couple) to own their homes.	To assist non-fixed income earners – e.g. small traders, fishermen, farmers – who have the capacity to pay for a housing loan but are unable to obtain financing due to insufficient income documentation typically required by financial institutions.
Description	Applicable only to first-time homebuyers for own-stay at purchase price of not more than RM250k (Peninsular Malaysia) and RM300k (East Malaysia)	Qualified homebuyers can obtain 100% financing without having to pay 10% down payment for residential property priced between RM100k-RM500k.	SJKP will provide 100% guarantee for banks that provide housing loans to approved applications. Limited to residential properties priced at less than RM300k.

HOW WE ENSURE RESPONSIBLE BUSINESS FINANCING

Aligned with our mission to inculcate responsible lending into our processes, procedures, products and services, we have established the Business and Corporate Banking Manual outlining the Bank’s overall credit policy for business financing. With the aim of building a healthy and cohesive credit culture among various departments and functions of the Bank, all our officers are not only required to be conversant with the manual’s content but also to adopt the guiding financing principles when assessing a financing application.

To strengthen this culture, all our officers are required to familiarise themselves with the following policy documents and guidelines:

- The Financial Services Act/Islamic Financial Services Act 2013 (“FSA/IFSA”)
- BNM Foreign Exchange Administration Rules (“FEAR”)
- Rules of Association of Banks in Malaysia (“ABM”)
- Anti-Money Laundering and Anti-Terrorism Financing Act 2014 (“AMLATFA”)
- Guidelines and Circulars issued by BNM
- Credit Reporting Agencies Act 2010
- Personal Data Protection Act 2010
- General Circulars or Product Manuals issued by HLB and HLISB
- Policy/guidelines on Single Counterparty Exposure Limit

Our financing policies are reviewed on an annual basis and we strive to continuously enhance and improve the policies especially in areas involving the assessment of environmental and social risks.

In supporting responsible lending in our credit risk decision making, we base our environmental and social risks assessment on components within the Equator Principle.

An example of our environmental risk assessment is the ‘Sustainable Development’ guidelines outlined within our Business and Corporate Banking Manual.

A Sustainable Development is one which meets the needs of the current generation without compromising the ability of future generations to meet their own needs. It is commonly regarded as a balance between environmental, social and economic impacts.

Assessments of credit application by businesses with environmental impacts would include ensuring full compliance with the rules and regulatory requirements related to the relevant industry/sector. For example, for credit applications of businesses involved in oil palm plantation, approval from the Department of Environment is required.

Industry	Applicable Legislation/Policies
All	<ul style="list-style-type: none"> • Environmental Quality Act 1974 Amendment 2007 • Any other relevant regulatory/legislation compliance wherever applicable.
Forestry	<ul style="list-style-type: none"> • Forest Enactment Act 1932 • Sustainable Forest Management (“SFM”) • Malaysian Timber Certification Scheme
Chemical	<ul style="list-style-type: none"> • Poison Ordinance 1952
Oil Palm <i>(Plantation and Manufacturing – Milling and Refinery)</i>	<ul style="list-style-type: none"> • RSPO • National Policy on Environment issued by the Department of Environment

For business financing offered by HLISB, in addition to the same guidelines as HLB, financing offered must also abide by the criteria stipulated within our Shariah Governance Framework.



CREATING STAKEHOLDER VALUE

RESPONSIBLE LENDING

GREEN TECHNOLOGY FINANCING

We have financed eight green technology projects under the Green Technology Financing Scheme (“GTFS”). The GTFS was established by the Government to promote investments in green technology, a sector that is envisaged to be one of the emerging drivers of economic growth for our country. This is a national initiative aimed at achieving a sustainable environment. As a participating bank, we have financed eight companies with projects that supply (producers) and utilise (users) green technology under this scheme.



TOTAL MONETARY VALUE OF SPECIFIC ENVIRONMENTAL PRODUCTS AND SERVICES BY BUSINESS LINE (RM):

Green Technology Financing Scheme*

- HLB - RM7.1 million/5 facilities
- HLISB - RM2.6 million/1 facility

PROMOTING SMES

As a responsible financial services provider, we support the Government’s efforts to promote SMEs, which form the backbone of our national economy. According to the Department of Statistics Malaysia, SMEs contributed to 36.6% of Malaysia’s GDP in 2016 compared to 36.3% in 2015. They also contributed to 65.3% of total employment in Malaysia in 2016.¹

We are part of the Shariah-Compliant SME Financing Scheme (“SSFS”) started by SME Corporation Malaysia (“SME Corp”). A total of 156 SME customers collectively have received RM255 million from HLB. These customers not only receive much needed funds but also a profit rebate of 2% on a monthly basis. Having fully utilised the initial allocation of RM78 million we are obtaining additional funds, subject to approval from SME Corp.

In addition to the SSFS, we also participated in other schemes established by BNM that aim to provide financing to SMEs at lower cost, such as the Fund for Small and Medium Industries 2 (“FSM12”) and New Entrepreneurs Fund 2 (“NEF2”).



MONETARY VALUE OF FUNDS:

- FSM12 - RM887.2 Million
- NEF2 - RM17.9 Million



Please refer to page 48 of this report for more information on the way in which we support SMEs as part of our Community Banking initiatives.

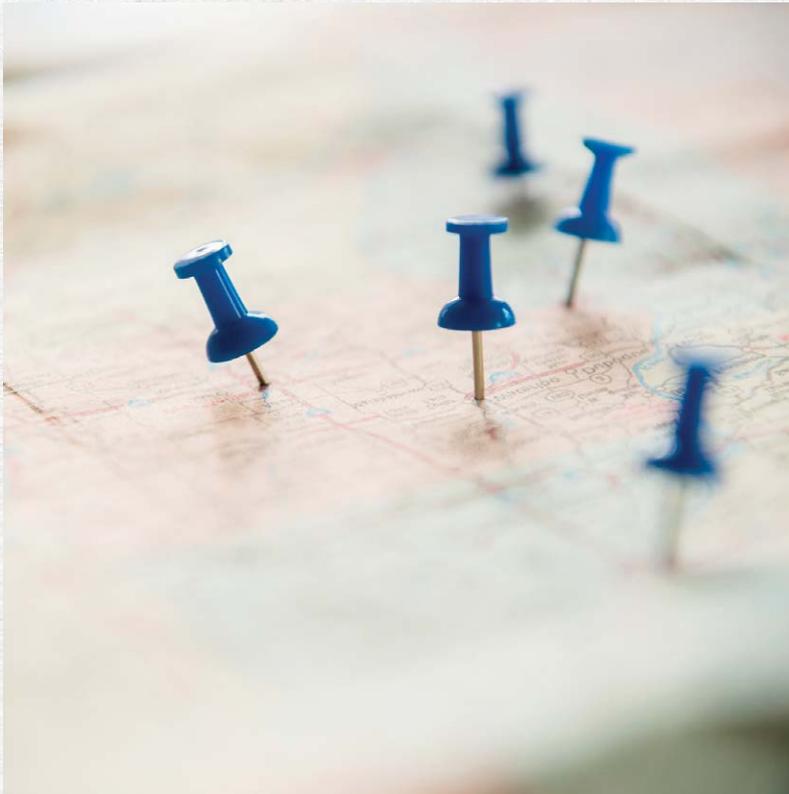
¹ Department of Statistics Malaysia (“DOSM”)

* 2 projects have been fully settled in May 2017

HOW WE ENSURE RESPONSIBLE ISLAMIC FINANCING

The same processes and governance framework are applied Islamic financing, with the additional requirement that the Shariah Governance committee is also involved in approving HLISB’s lending policies and procedures. The Shariah Governance Framework guides HLISB’s overall Shariah governance practice to ensure Islamic banking operations conducted by stakeholders are backed by appropriate Shariah compliance infrastructure.

The same process is used to screen and assess environmental and social risks; and the same thresholds are applied to determine if such risk assessment is needed. When evaluating a potential investee, we will consider the economic, environmental and social risks of our investment, differentiating us from competitors by maintaining a risk averse approach to lending. HLISB acts as a proponent of sustainability by encouraging companies to consider the impact of their activities on the local community and the environment in accordance with the Principles of Shariah. Another example is that HLISB is more likely to lend to property development customers that have implemented green lung features on the property.



MANAGING OUR ENVIRONMENTAL FOOTPRINT

G4-EN3, G4-EN16, G4-EN18



We are concerned about environmental issues such as pollution and climate change which affect everyone's quality of life, today and in the future. Although the financial services industry does not have a significant direct impact on the environment, we are committed to playing our part in minimising, as far as possible, our environmental footprint by adopting a responsible approach in terms of resource use, especially through reduced energy consumption. We also seek to ensure our employees are aware of their individual role towards protecting and enhancing the environment. Our efforts to operate in an environmentally sustainable manner not only serve to protect our natural resources but also provide a channel through which our employees can work together for a common good, thus enhancing team spirit and a sense of belonging in Hong Leong Bank.

Case Study

RECYCLED PAPER INITIATIVE

As of December 2016, we have embarked on an initiative to replace the use of virgin pulp paper with recycled paper, where practical, bank-wide. During the year, we used a total of 46,502kg of recycled paper. We believe our efforts will help to save more than 1,930 trees a year. We are joined in this recycled paper initiative by other companies in the Hong Leong Financial Group ("HLFG"). The 2017 annual reports of HLF, Hong Leong Capital Berhad ("HLCap"), HLB and HLIBS have been produced using recycled and Forestry Stewardship Council ("FSC")-certified paper. All our corporate profile brochures are also being printed on recycled and FSC-certified paper.



CREATING STAKEHOLDER VALUE

MANAGING OUR ENVIRONMENTAL FOOTPRINT

OUR ENERGY PERFORMANCE

Measurement of energy consumption began at our PJ City branch – for both electricity consumption as well as the consumption of petrol by our company cars. Our choice to have PJ City as the primary location was based on the Bank's full ownership of the premises. Headcount for PJ City has been steadily increasing, alongside its operating hours – now operating on a 24-hour basis. Thus, collecting data here was imperative to our sustainability efforts.

We plan to include Menara Hong Leong in future data collection. Menara Hong Leong and PJ City are the two most material HLB premises.

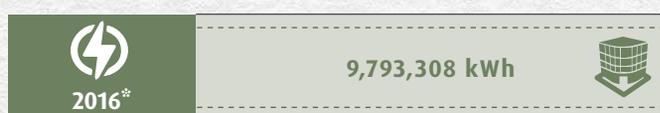


We have also monitored the petrol consumption of cars owned by HLB and HLISB, as shown below.

Energy consumption of company cars owned by HLB and HLISB



Total electricity consumption at PJ City



* Calendar year

¹ Scope 1: Emissions from operations that are owned or controlled by the organization

² Scope 2: Emissions that result from the generation of purchased electricity

MANAGING OUR ENERGY CONSUMPTION

Various initiatives have been undertaken to minimise energy use in our PJ City premise. These include:

- Using motion sensors for lighting in common areas
- Increasing the air conditioning set point
- Rationalising the air conditioning operating hours

Going forward, we plan to replace all T8 fluorescent tubes with energy efficient LED lighting. We intend to roll out the LED replacement by March 2018 and complete it within 2 months.

OUR GHG EMISSIONS

Greenhouse gases are those that contribute towards global warming and include carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, perfluorocarbons and hydrofluorocarbons, among others. They are released from natural sources, but also from the combustion of fossil fuels. We have been able to measure our carbon dioxide equivalent ("CO₂-e") of greenhouse gas ("GHG") emissions from PJ City branch as well as from our company cars.

Direct GHG emissions from company cars owned by HLB and HLISB (Scope 1)¹ (mtCO₂-e)



Indirect GHG emissions at PJ City (Scope 2)² (mtCO₂-e)



Indirect GHG emissions intensity at PJ City (tCO₂/m²)



Along with increasing energy consumption, our carbon emissions have also been growing. In 2016*, we measured a total of 7,516 metric tons of CO₂ emissions.

SUPPLIER ASSESSMENT

EC-9

We rely on various suppliers for our day-to-day operations – from IT and communications systems providers to those who supply our physical assets such as our premises and fittings, credit cards, stationery and items required for administrative purposes. Today, as we are in the process of digitisation, we are relying even more heavily on providers of financial technology to supply us with the required systems and processes. In total, we have about 1,137 suppliers, comprising 91% Malaysian-based IT suppliers and 100% Malaysian-based non-IT related suppliers, who are critical to the smooth functioning of the Bank.

Ethical practices are observed along the entire value chain of our operations. The delivery of ethical business is demanded of our suppliers and through to our customers' supply chain.



HOW WE ENCOURAGE SUPPLIERS OF OUR CUSTOMERS TO BE ETHICAL

- In our credit policy, we have a holistic approach to our customer assessment. This requires full compliance to relevant regulatory requirements related to the industry as well as an assessment of their suppliers to mitigate lending risks.
- We consider potential investee's entire supply chain when screening for Shariah compliance, including the company's primary and secondary suppliers. This best practice is carried out because we understand that supply chains are interlinked; and if one aspect is non-compliant, it will negatively affect the return on investments of the company.



REINFORCING THE SCREENING PROCESS

- Moving forward, we are exploring the possibility of including sustainability as a factor in our supplier screening process. Suppliers' awareness of sustainability is required before we can roll out a supplier assessment program which incorporates environmental and social criteria.

GRI G4 CONTENT INDEX FOR “IN ACCORDANCE” - CORE

This report is developed in accordance with GRI G4 “core” requirements.

GENERAL STANDARD DISCLOSURES		
GENERAL STANDARD DISCLOSURES	DISCLOSURE DESCRIPTION	PAGE NUMBER
STRATEGY AND ANALYSIS		
G4-1	Chairman and Group Managing Director/CEO’s Statement	Page 1
ORGANIZATIONAL PROFILE		
G4-3	Name of organization	Page 6
G4-4	Primary brands, products and services	Page 9
G4-5	Location of the organization’s headquarters	Page 6
G4-6	Number of countries where the organization operates and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	Page 6 and 8
G4-7	Nature of ownership and legal form	Page 6
G4-8	Markets served	Page 8
G4-9	Scale of the organization	Page 11
G4-10	Breakdown of workforce	Page 11
G4-11	Percentage of total employees covered by collective bargaining agreements	Page 11
G4-12	Describe the organization’s supply chain	Page 9
G4-13	Report any significant changes during the reporting period regarding the organization’s size, structure, ownership or its supply chain	Page 10
G4-14	Addressing the precautionary approach or principle	Page 13
G4-15	External charters, principles or initiatives endorsed	Page 19
G4-16	Membership of associations and advocacy organizations	Page 12

GENERAL STANDARD DISCLOSURES		
GENERAL STANDARD DISCLOSURES	DISCLOSURE DESCRIPTION	PAGE NUMBER
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Report coverage of entities included in the consolidated financial statements	This information is available in the Annual Report
G4-18	Process for defining the report content and the aspect boundaries	Page 16
G4-19	Material aspects identified	Page 17
G4-20	For each material Aspect, report the Aspect Boundary within the organization	All material Aspects in this report apply to our operations in HLB and HLISB in Malaysia. The material issues with impacts that occur internally include: <ul style="list-style-type: none"> - Digital Innovation - Compliance - Employee Experience - Ethics & Integrity - Community Banking - Fair Banking - Customer Experience - Cyber Security & Data Privacy - Responsible Lending
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	All material Aspects in this report apply to our operations in HLB and HLISB in Malaysia. The material issues with impacts that occur externally include: <ul style="list-style-type: none"> - Digital Innovation - Ethics & Integrity - Community Banking - Fair Banking - Customer Experience - Cyber Security & Data Privacy - Managing Environmental Footprint - Responsible Lending - Supplier Assessment
G4-22	The effect of any restatements of information provided in previous reports	No restatement of information as this is HLB's first Sustainability Report
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	No significant changes from previous reporting as this is HLB's first Sustainability Report

GRI G4 CONTENT INDEX FOR “IN ACCORDANCE” - CORE

GENERAL STANDARD DISCLOSURES		
GENERAL STANDARD DISCLOSURES	DISCLOSURE DESCRIPTION	PAGE NUMBER
STAKEHOLDER ENGAGEMENT		
G4-24	List of stakeholder groups engaged by the organization	Page 20 - 21
G4-25	Basis for identification and selection of stakeholders	Page 16
G4-26	Approaches to stakeholder engagement	Page 16, 20 - 21
G4-27	Response to key topics and concerns raised	Page 20 - 21
REPORT PROFILE		
G4-28	Reporting period	Page 5
G4-29	Date of most recent previous report	None. This is HLB’s first Sustainability Report
G4-30	Reporting cycle	Annual
G4-31	Contact point for questions	Page 5
G4-32	‘In accordance’ option, the GRI content index and external assurance	Page 66
G4-33	Policy and current practice regarding external assurance	We’ve externally assured two indicators. The Assurance Report is available on page 74
GOVERNANCE		
G4-34	Governance structure of the organization	Page 15
ETHICS & INTEGRITY		
G4-56	Values, principles, standards and norms of behaviour such as codes of conduct and code of ethics	Page 15

SPECIFIC STANDARD DISCLOSURES		
DMA AND INDICATORS	DISCLOSURE DESCRIPTION	PAGE NUMBER
CATEGORY: HELPING CUSTOMER SUCCEED		
MATERIAL ISSUE: DIGITAL INNOVATION		
G4-DMA	<ul style="list-style-type: none"> Why is Digital Innovation material How HLB manage Digital Innovation or its impact HLB's management approach to Digital Innovation Digital initiatives in the organization Digital products and services that have been implemented Percentage of digitally active customers 	Page 23 - 29
MATERIAL ISSUE: CUSTOMER EXPERIENCE		
GRI Aspect: Product and Service Labeling		
G4-DMA	<ul style="list-style-type: none"> Why is Customer Experience material How HLB manage Customer Experience or its impact HLB's management approach to Customer Experience Initiatives implemented to enhance customer experience of products and services Engagement channels through which HLB obtains feedback on its products and services Percentage of feedback tickets addressed 	Page 30
G4-PR5	Results of surveys measuring customer satisfaction	Page 32
MATERIAL ISSUE: CYBER SECURITY AND DATA PRIVACY		
GRI Aspect: Customer Privacy		
G4-DMA	<ul style="list-style-type: none"> Why is Cyber Security & Data Privacy material How HLB manage Cyber Security & Data Privacy and its impact HLB's management approach to Cyber Security & Data Privacy Initiatives to enhance cyber security 	Page 33
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	Page 33
MATERIAL ISSUE: FAIR BANKING		
GRI Aspect: Product and Service Labeling		
G4-DMA	<ul style="list-style-type: none"> Why is Fair Banking material How HLB manages Fair Banking or its impact HLB's management approach to Fair Banking Policies for the fair design and sale of financial products and services Initiatives to enhance financial literacy by type of beneficiary 	Page 34
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labelling, and percentage of significant product and service categories subject to such information requirements	Percentage of significant product or service categories covered by and assessed for compliance with such procedures: 100%
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	HLB did not experience any incidences of non-compliance in relation to product and services labelling

GRI G4 CONTENT INDEX FOR “IN ACCORDANCE” - CORE

SPECIFIC STANDARD DISCLOSURES		
DMA AND INDICATORS	DISCLOSURE DESCRIPTION	PAGE NUMBER
CATEGORY: PROVIDING OUR PEOPLE WITH THE BEST OPPORTUNITIES		
MATERIAL ISSUE: EMPLOYEE EXPERIENCE		
GRI Aspect: Employment, Labour/Management Relations, Training and Education, Diversity and Equal Opportunity, Labour Practices Grievance Mechanisms		
G4-DMA	<ul style="list-style-type: none"> Why is Employee Experience material How HLB manages Employee Experience or its impact HLB’s management approach to Employee Experience Measures in place to address threats and violence against workforce members, their families, or community members 	Page 37
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	Page 37
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	<ul style="list-style-type: none"> Group Term Life/Group Term Assurance: Not extended to temporary or part-time staff Medical benefits: Reduced entitlement Annual leave & Sick leave: Reduced entitlement Staff loans: Not extended Other leaves (e.g. paternity, maternity): Not extended Handphone/mileage reimbursement: Not extended
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	3 months
G4-LA9	Average hours of training per year per employee by gender, and by employee category	Page 40
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	Page 39 - 40
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	100%
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Page 11
G4-LA16	Number of grievances about labour practices filed, addressed, and resolved through formal grievance mechanisms	Page 42

SPECIFIC STANDARD DISCLOSURES		
DMA AND INDICATORS	DISCLOSURE DESCRIPTION	PAGE NUMBER
CATEGORY: CREATING STAKEHOLDER VALUE		
MATERIAL ISSUE: COMPLIANCE		
GRI Aspect: Compliance		
G4-DMA	<ul style="list-style-type: none"> Why is Compliance material How HLB manage Compliance or its impact HLB's management approach to Compliance 	Page 45 - 46
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services (e.g. AMLA, Anti-Corruption, Anti- competitive Behaviour, etc.)	During the year, we were not imposed any significant fine for non-compliance with laws or regulations concerning our products and/or services
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Incidences of non-compliance are thoroughly investigated according to the Bank's internal proceedings. During the year, we were not imposed any significant fine for non-compliance with laws or regulations concerning our products and/or services
MATERIAL ISSUE: ETHICS AND INTEGRITY		
GRI Aspect: Anti-corruption		
G4-DMA	<ul style="list-style-type: none"> Why is Ethics and Integrity material How HLB manage Ethics and Integrity or its impact HLB's management approach to Ethics and Integrity 	Page 47
G4-S03	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	100% Page 47
G4-S04	Communication and training on anti- corruption policies and procedures	Page 47
G4-S05	Confirmed incidents of corruption and actions taken	One staff member was dismissed due to non-compliance with anti-corruption policy

GRI G4 CONTENT INDEX FOR “IN ACCORDANCE” - CORE

SPECIFIC STANDARD DISCLOSURES		
DMA AND INDICATORS	DISCLOSURE DESCRIPTION	PAGE NUMBER
CATEGORY: CREATING STAKEHOLDER VALUE (CONTINUED)		
MATERIAL ISSUE: COMMUNITY BANKING		
GRI Aspect: Local Communities		
G4-DMA	<ul style="list-style-type: none"> Why is Community Banking material How HLB manage Community Banking or its impact HLB’s management approach to Community Banking 	Page 48
G4-S01	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Page 49
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	The ratio is 1:1, HLB does not practice discrimination or segmentation of entry wage levels. Wages are determined by labour supply-demand, competencies, and job scope
G4-FS13	Access points in low-populated or economically disadvantaged areas by type	Page 49
MATERIAL ISSUE: RESPONSIBLE LENDING		
GRI Aspect: Product Portfolio		
G4-DMA	<ul style="list-style-type: none"> Policies with specific environmental and social components applied to business lines Procedures for assessing and screening environmental and social risks in business lines Processes for monitoring clients’ implementation of and compliance with environmental and social requirements included in agreements or transactions Processes for improving staff competency to implement the environmental and social policies and procedures as applied to business lines Interactions with clients/investees/business partners regarding environmental and social risks and opportunities 	Page 58
G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	Page 62
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	Page 62

SPECIFIC STANDARD DISCLOSURES		
DMA AND INDICATORS	DISCLOSURE DESCRIPTION	PAGE NUMBER
CATEGORY: CREATING STAKEHOLDER VALUE (CONTINUED)		
MATERIAL ISSUE: MANAGING OUR ENVIRONMENTAL IMPACT		
GRI Aspect: Materials, Energy and Emissions		
G4-DMA	<ul style="list-style-type: none"> Why is Managing Our Environmental Impact material How HLB manages its environmental footprint or its impact HLB's management approach to managing its environmental footprint Initiatives taken to minimise energy, consumables, and waste from the organization 	Page 63
G4-EN3	Energy consumption within HLB	Page 64
G4-EN16	Indirect GHG emissions (CO ₂)	Page 64
G4-EN18	GHG emissions intensity	Page 64
MATERIAL ISSUE: SUPPLIER ASSESSMENT		
GRI Aspect: Procurement Practices		
G4-DMA	<ul style="list-style-type: none"> Why is the Supplier Assessment material How HLB manages its suppliers or its impact HLB's management approach to its suppliers 	Page 65
G4-EC9	Proportion of spending on local suppliers at significant locations of operation	Page 65

INDEPENDENT ASSURANCE REPORT



TO: MANAGEMENT OF HONG LEONG BANK BERHAD

We have been engaged by Hong Leong Bank Berhad to perform an independent limited assurance engagement on selected Sustainability Information (hereon after referred to as “Selected Information” comprising the information set out in the Subject Matter”) as reported by Hong Leong Bank Berhad (“Hong Leong”) in its Sustainability Report for financial year 2017 (“Hong Leong Sustainability Report 2017”).

MANAGEMENT’S RESPONSIBILITY

Management of Hong Leong is responsible for the preparation of the Selected Information included in the Hong Leong Sustainability Report 2017 in accordance with Hong Leong’s internal sustainability reporting guidelines and procedures.

This responsibility includes the selection and application of appropriate methods to prepare the Selected Information reported in the Hong Leong Sustainability Report 2017 as well as the design, implementation and maintenance of processes relevant for the preparation. Furthermore, the responsibility includes the use of assumptions and estimates for disclosures made by Hong Leong which are reasonable in the circumstances.

OUR RESPONSIBILITY

Our responsibility is to provide a conclusion on the Subject Matter based on our limited assurance engagement performed in accordance with the approved standard for assurance engagements in Malaysia, International Standard on Assurance Engagements (“ISAE”) 3000 “Assurance Engagements other than Audits or Reviews of Historical Financial Information”. This standard requires that we comply with ethical requirements, and plan and perform the assurance engagement under consideration of materiality to express our conclusion with limited assurance.

The accuracy of the Selected Information is subject to inherent limitations given their nature and methods for determining, calculating and estimating such data.

Our assurance report should therefore be read in connection with Hong Leong’s sustainability reporting guidelines and procedures on the reporting of its sustainability performance.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

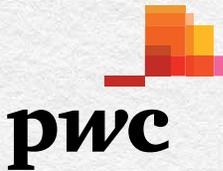
SUBJECT MATTER

The following information collectively known as the Selected Information on which we provide limited assurance consists of:

- The management and reporting processes with respect to the preparation of the following two (2) Selected Information reported and marked with asterisks (*) in Hong Leong Sustainability Report 2017:
 1. Digital innovation – % of digital customers that use digital products and services on Connect Retail; and
 2. Digital innovation – % of digital customers that use digital products and services on Connect BiZ.

CRITERIA

- Hong Leong’s internal sustainability reporting guidelines and procedures by which the Selected Information is gathered, collated and aggregated internally.



MAIN ASSURANCE PROCEDURES

Our work, which involved no independent examination of any of the underlying financial information, included the following procedures:

- Inquiries of personnel responsible for the Selected Information reported in Hong Leong Sustainability Report 2017 regarding the processes to prepare the said report and the underlying controls over those processes;
- Inquiries of personnel responsible for data collection at the corporate, division and operation unit level for the Selected Information;
- Inspection on a sample basis of internal documents, reports and data capture forms to support the Selected Information for accuracy including observation of management's controls over the processes;
- Inquiries of personnel on the collation and reporting of the Selected Information at the corporate, division and operation unit level; and
- Checking the formulas used in the computation of the percentage of digital customers that use digital products and services against Hong Leong's sustainability reporting guidelines and procedures.

INDEPENDENCE AND QUALITY CONTROL

We have complied with relevant independence requirements and other ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply International Standards on Quality Control ("ISQC") 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

CONCLUSION

Based on our limited assurance engagement, in all material aspects, nothing has come to our attention that causes us to believe that the Selected Information in the Subject Matter has not been fairly stated in accordance with Hong Leong's internal sustainability reporting guidelines.

RESTRICTION ON USE

This report, including our conclusions, has been prepared solely for the Board of Directors of Hong Leong in accordance with the agreement between us, in connection with the performance of an independent limited assurance on the Selected Information in the Subject Matter as reported by Hong Leong in its Sustainability Report 2017. Accordingly, this report should not be used or relied upon for any other purposes. We consent to the inclusion of this report in the Hong Leong Sustainability Report 2017 and to be disclosed online at www.hlb.com.my/sustainability, in respect of the 2017 financial year, to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected Information. As a result, we will not accept any liability or assume responsibility to any other party to whom our report is shown or into whose hands it may come. Any reliance on this report by any third party is entirely at its own risk.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
15 September 2017

We value your input and appreciate your feedback. Visit www.hlb.com.my/sustainability for more information.



www.hlb.com.my
www.hlb.com.my/sustainability



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