



 **HongLeong** Bank Berhad  
**Sustainability Report 2021**



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# Overview

## About This Report

This 2021 Sustainability Report marks our fifth year of annual reporting on the topics that are most material to our stakeholders and our business. The report covers our financial year from 1 July 2020 – 30 June 2021 (“FY2021”), describing the progress we have made to integrate sustainability into our business practices, products and services as we strive to create long-term value for our stakeholders.

The report should be read along with our 2021 Annual Report, which provides a more comprehensive disclosure on our financial and operating performance.

This report has been prepared in accordance with the Global Reporting Initiative Standards (“GRI Standards”) Core option and Bursa Malaysia Sustainability Reporting Guide (2nd Edition). It has been further guided by the Recommendations of the Task Force on Climate-related Disclosures (“TCFD”) and the United Nations Sustainable Development Goals (“UN SDGs”). Through these frameworks, we have sought to communicate the impact of our environmental, social and governance (“ESG”) performance via metrics and targets we believe to be relevant for our financial services industry. References to specific topics covered by the report are available in the GRI Standards Content Index on pages 105-111.

The contents of this report present an overview of our sustainability approach, describing how we identify and manage risks and opportunities as part of our business activities. The report has been written for a range of audiences, providing balanced and relevant content with a narrative that embodies stakeholder inclusiveness. The data provided in this report relates to issues determined as important to both the Bank and our stakeholders via a materiality analysis. All data in this report relates to the operations of Hong Leong Bank (“HLB”) and its subsidiaries (collectively, “the Bank”), including Hong Leong Islamic Bank (“HLISB”) in Malaysia, as they represent our most material businesses.

This report has been reviewed and approved by the Bank’s senior management and its Board of Directors. The contents of this Sustainability Report are governed by a Sustainability Committee which reviews all material topics to ensure that they are aligned with the organisation’s strategies. The report was recommended to, and endorsed by, the Board Risk Management Committee (“BRMC”) of the Board of Directors. This report’s content has been externally assured by an independent body, Malaysia’s leading certification, inspection and testing body, SIRIM QAS International Sdn Bhd. In preparing this report, we have adhered to best practice disclosure standards of our assurers and of the reporting field.

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

### Head, Sustainability, Hong Leong Bank Berhad



03-2081-8888



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## GLOBAL ESG INDICES AND ASSESSMENTS

As we continue to make strides in our sustainability agenda and deepen the adoption of ESG practices, our efforts are being recognised across several global indices and sustainability assessments.

FTSE4Good	Sustainable Banking Assessment ("SUSBA")	RAM Sustainability
 <p>FTSE4Good</p>	 <p>WWF</p>	 <p>RAM SUSTAINABILITY</p>
<ul style="list-style-type: none"> <li>Included as a constituent in the FTSE4Good Bursa Malaysia Index since 2018</li> <li>Remained Top 25% by ESG ratings amongst public listed companies assessed under FTSE Russell</li> </ul>	<ul style="list-style-type: none"> <li>Improved ESG score in 2020 and positioned above industry average</li> </ul>	<ul style="list-style-type: none"> <li>Assessed internally by RAM Sustainability and was rated 'Gold' in overall ESG aspects</li> </ul>

# Chairman and Group Managing Director/ Chief Executive Officer’s Sustainability Review

## INTRODUCTION

To build resilience and continue to provide long-term value to our stakeholders, we have made considerable efforts to expand our sustainability initiatives. We strive towards inclusive growth, ensuring that we provide economic empowerment to our customers and communities while managing the climate and social impact of our operations. Guided by global sustainability standards and guidelines, the Bank is committed towards integrating environmental, social and governance (“ESG”) considerations into our business practices, as we believe sustainable banking practices will serve as the foundation to our continued competitive advantage.



The COVID-19 pandemic precipitated a need for a comprehensive, holistic approach towards our sustainability initiatives. The safety and well-being of our employees and customers remains our top priority as we overcome the impacts of the pandemic. We also made significant improvements to our fundamental sustainability themes, with a special emphasis on the Socially Responsible Business theme. Several internal mechanisms have been introduced to ensure that we conduct our business in a responsible and sustainable manner, including frameworks

that allow us to better integrate sustainability throughout our value chain while mitigating our Environmental and Social (“E&S”) risks.

Despite the challenges and dangers posed by the pandemic, we have strived to make significant progress in key areas of sustainability, an achievement made possible by our enhanced strategies over the years.

### Our Key Sustainability Progress in FY2021

Progress For Our Customers	Progress For Our Suppliers	Progress For Our Employees	Progress For Our Communities
Approved and implemented our Business and Commercial Banking (“BCB”) ESG Policy and Assessment Framework	Updated our Procurement Policy to embed sustainability and include an ESG Assessment	Inculcated sustainability awareness to over 6,000 employees through our Sustainability Month huddles	Onboarded a fifth social enterprise into our flagship CSR programme, HLB Jumpstart, thus expanding our social outreach

## REMAINING RESILIENT THROUGHOUT THE PANDEMIC

With the outbreak of the pandemic came a slew of risks for the financial services industry. We were quick to act, and multiple solutions and touchpoints were enhanced during this time. In particular, we made a concerted effort to develop digital solutions that ease the logistical burdens faced by our customers.

We took time to understand the challenges they faced on a granular level, which allowed us to develop and invest in digital banking solutions tailoring to their needs. As a testament to our efforts, we are the first bank in Malaysia to offer a fully digital onboarding

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# Chairman and Group Managing Director/ Chief Executive Officer's Sustainability Review

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experience for our customers via the Apply@HLB app as well as to establish a strong e-commerce presence via our HLB official shop on the Shopee platform. Introduced to accommodate the growing digital needs of our customers, the platforms have allowed thousands of account opening applications to be submitted with ease. Our Digital at the Core philosophy is yielding impact and is providing respite in these trying circumstances. The success of our efforts to accelerate the transition to the digital economy is reflected in our growing digital adoption rates.

Our foundation was laid with the strong belief in standing by our customers through their times of need. This was indeed put to the test over the past 18 months. We are proud to report that we remained steadfast towards supporting our customers as they weathered the unprecedented financial consequences of the COVID-19 pandemic. As part of our efforts, we provided payment relief assistance to more than 97,000 retail and corporate customers, SMEs, members of the B40 communities, microenterprises and large corporates. These initiatives amounted to a grand total of RM 22.3 billion in payment relief extended throughout the year. In addition, we also waived fees to customers who caught up on their late payments, absorbed principal shortfalls and interbank transfer fees as well as lowered the credit card interest rate for customers who converted their outstanding balances into term loans. These various initiatives resulted in savings for customers amounting to RM 93.3 million.

Our workforce has always been a top priority for the Bank. To protect the safety and well-being of our employees, we put in place a multi-pronged pandemic management strategy that included stringent operating standards, constant

availability of Personal Protective Equipment ("PPE"), and meaningful employee engagements. Whenever feasible, we assigned flexible Work from Home ("WFH") options. As a result of the investment in building our digital capabilities in recent years, transitioning to a WFH model was seamless, allowing us to leverage in-house digital communication and collaboration tools including HLB@Workday and Google Workspace.

## **SUSTAINABLE BANKING PRACTICES**

We make continuous efforts to build upon our sustainable banking practices, and FY2021 saw a number of milestones in our ESG journey. To address our portfolio's ESG impact, we implemented the Business & Corporate Banking ("BCB") ESG Policy and Assessment Framework, which governs our sustainable lending and financing processes. By adopting an inclusionary approach, we aim to work with and encourage our customers in their transition to more sustainable business practices.

In addition, we worked on embedding sustainability considerations across our entire value chain. We recently reviewed and amended our Procurement Policy to include ESG evaluation on all of the Bank's vendors in the future as we continue to support and advise them in adopting sustainable business practices.

We created a Sustainability Roundtable series to encourage the adoption of sustainability best practices across a diverse range of industries. Thus far, we have hosted two virtual roundtables on the themes of plastic manufacturing and solar energy and are looking forward to hosting additional roundtable discussions on topics including palm oil, renewable energy (biogas), waste management, and chemical production.

The Bank held its inaugural virtual Sustainability Briefing for the investment community in June 2021 to inform on our various sustainability initiatives and milestones since we first embarked on our sustainability journey. Topics covered during the session includes the Bank's strong governance culture; the incorporation of sustainability into financing and lending practices and various initiatives of the Bank in managing its own environmental footprint.

## **ACCELERATING OUR CLIMATE COMMITMENT**

The detrimental effects of climate change and its impacts to the wider biodiversity is a matter that needs our collective urgent action. We are progressively integrating ESG and sustainability considerations into our business processes and aligning our portfolios with climate change mitigation and adaptation strategies. We have implemented a number of strategic initiatives to address and manage these risks, supported by our Sustainability Risk Governance Framework. Our multiple efforts are a pathway to align our business with sustainable practices as we transition to a low-carbon world.

One key initiative was the Developer End Financing Framework in January 2021, which aims to develop a more sustainable, environmentally-friendly property development landscape. To facilitate meaningful engagements with developers, we conducted conversations via a webinar to introduce the framework to them, which in turn enabled us to gain a better understanding of ESG challenges faced by developers. The HLB SME Solar Financing programme is another initiative that targets small and medium-sized businesses that are interested in installing solar photovoltaic (PV) systems on their rooftops as an

# Chairman and Group Managing Director/ Chief Executive Officer's Sustainability Review

alternative energy source to optimise operating costs and reduce carbon footprint.

## EMPOWERING OUR PEOPLE

During the pandemic, numerous lessons were learned. Our employees not only banded together to overcome the obstacles, but they also continued to demonstrate outstanding teamwork and dedication. We are committed to sustaining high levels of employee engagement and providing support during these unprecedented times.

Digitisation has played a key role in our efforts to improve employee engagement, upskill our talent, and build an online support system for all staff. The learning module within HLB@Workday, our people and performance management platform, served as a central hub for e-Learning, which proved to be particularly useful and convenient for them during the COVID-19 restrictions. To provide additional support to our employees as they adjusted to the challenges of the pandemic, we introduced PlusVibes, an all-in-one mobile mental health and well-being platform. This platform aims to promote mental resilience and physical well-being among employees as they navigate these challenging times.

At the same time, we launched Sustainability Month huddles as well as training sessions as part of our efforts to instill sustainability awareness among our entire workforce. This initiative was launched to ensure that all our staff are on board with our ESG journey and provide them with the requisite training to support the Bank's efforts in promoting sustainability. Climate change, pollution, waste management, and understanding carbon footprint were among the topics discussed at

the weekly themed huddles, which drew over 6,000 employees in 2021. We also used our Brown Bag 'Lunch & Learn' series to hold two sustainability seminars, which were attended by a total of 143 employees. Additionally, we have included sustainability training as part of our new recruits onboarding process, which has started since November 2020.

We collaborated with the Jeffrey Sachs Center on Sustainable Development at Sunway University to hold a series of capacity-building workshops for over 400 BCB frontliners and credit evaluation managers to ensure that we are able to effectively implement the ESG Policy and Assessment Framework.

## GIVING BACK TO THE COMMUNITY

Throughout the world, the pandemic has highlighted the need of caring for a diverse variety of stakeholders. This ensures the viability of an organisation and the individuals it serves. As we continue our effort to create long-term socioeconomic benefits for our communities, they remain a crucial stakeholder group for HLB and HLISB. In FY2021, we donated over RM 250,000 to help our communities and strengthen their resilience.

The Bank recognises the importance of strong community leaders in fostering a healthy and holistic economy. Our success in incubating different social enterprises in Malaysia through our flagship community initiative, HLB Jumpstart, is premised on this guiding philosophy. We collaborate with these social enterprises to co-drive socioeconomic growth by combining our financial knowledge with their community engagement. For instance, The Asli Co., our fourth collaboration partner which provides sustainable income for indigenous mothers from

the Orang Asli community, succeeded in garnering an increase of 226% in sales since we onboarded them in June 2020, amidst the pandemic. In FY2021, we onboarded Benak Raya, our fifth social enterprise, onto the HLB Jumpstart family. This is an agricultural social business that employs local residents to develop novel rice-based goods from the by-product of rice processing. Based in Sri Aman, Sarawak, Benak Raya has provided work for 16 individuals and continues to show potential in terms of expansion.

As a responsible financial institution, our goal is to provide our communities with the information they need to make sound financial decisions. In light of the COVID-19 pandemic, financial literacy has emerged as a sustainability priority area as it is a critical component of healthy socioeconomic development. In FY2021, we created and distributed a series of audio files, workshops, and bite-sized learning resources via our DuitSmart portal, through which we were able to reach out to a diverse group of stakeholders, including students, single mothers, and the visually impaired.

## CLOSING REMARKS

The year in review was unprecedented but it remains a pivotal year for us. In a shared future, our capacity to manage the climate transition and promote inclusive growth is critical to our value creation. We have demonstrated our operational resilience and unwavering dedication towards our stakeholders through continuously implementing holistic strategies. The Bank looks forward to undertaking more innovative, inclusive, and climate-friendly activities in the coming years, with sustainability at the forefront of our agenda.

# About Hong Leong Bank

Hong Leong Bank Berhad is a leading financial services company forming part of the Hong Leong Group (“the Group”). Headquartered in Kuala Lumpur, Malaysia, we are a community and customer-centred bank with a focus on providing innovative digital solutions for the financial services industry.

Our company approach focuses on delivering customer-centric solutions by combining cutting-edge technology with our entrepreneurial background. We have created a complete variety of conventional and Islamic financial products and services by combining digital capabilities and innovative thinking with traditional financial services, making us among the top providers of financial services in Malaysia.

## THE BANK'S CORE VALUES

Our fundamental principles steer our route to success as we navigate the rapidly evolving financial services industry. We will continue to develop financial solutions that yield positive environmental, economic, and social benefits by adhering to our core ideals.



### HERE FOR THE LONG TERM

Value commitment to:

- Customers
- Employees
- Communities we work in



### INNOVATION

- Embrace change
- Challenge the status quo or prevailing assumptions when warranted, and suggest better approaches
- Don't be afraid to do things differently, take smart risks



### COLLABORATE TO WIN

- Consistently demonstrate performance that others can rely on
- Treat people with respect independent of their status or rank
- Seek win-win relationships



### DECISIVENESS

- Take ownership despite ambiguity
- Make things happen (Think/Act/Own)
- Minimise complexity



### HAVE FUN

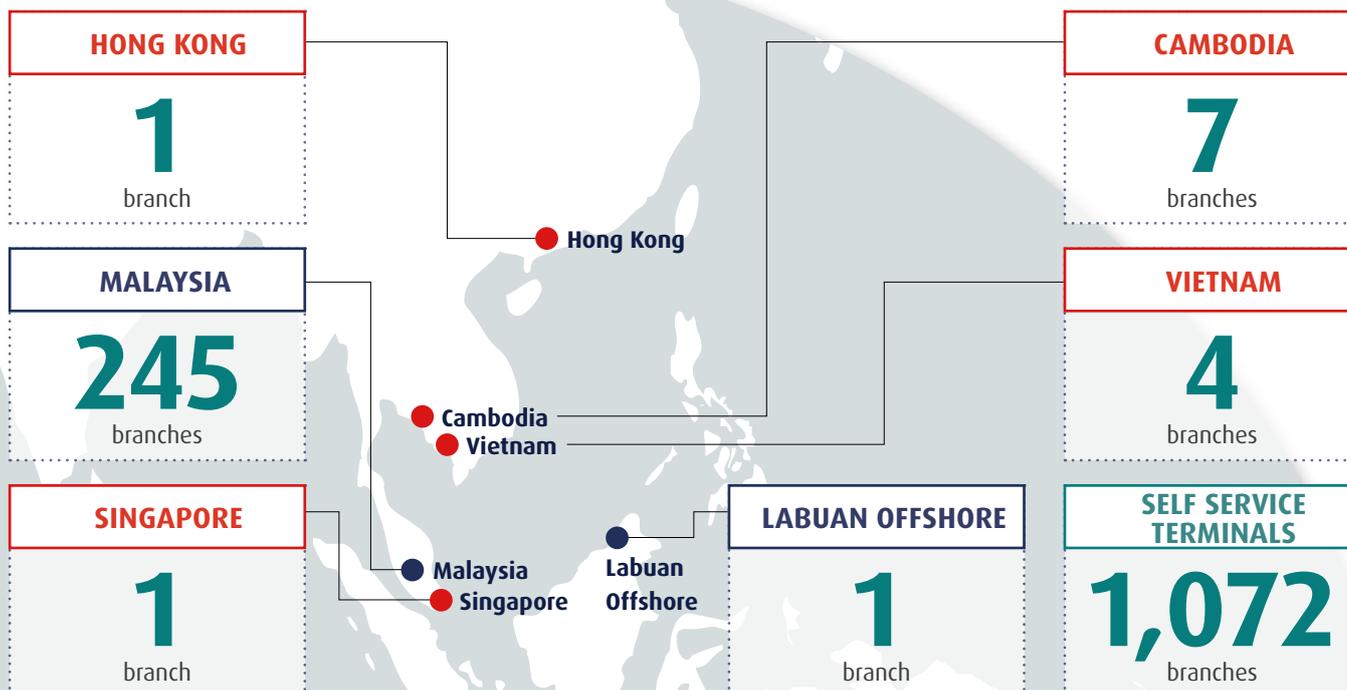
- Embrace new experiences
- Celebrate learning opportunities
- Celebrate wins

# About Hong Leong Bank

## OUR PRINCIPLE BUSINESS ACTIVITIES

 <p><b>Personal Financial Services</b></p>	 <p><b>Business and Corporate Banking</b></p>	 <p><b>Global Markets</b></p>	 <p><b>Islamic Financial Services</b></p>
<p>Principal business activities include providing banking services and financial products which include property, auto, personal loans/financing, payment products, share financing, investment and insurance, as well as deposits and remittance to individuals and small businesses.</p>	<p>Principal business activities include the provision of banking solutions, such as deposit and loan/financing services covering business current account, interest/profit-bearing autosweep and fixed deposit, as well as financing options ranging from asset acquisition, working capital, and debt capital market structures, for our corporate, commercial and SME client base. HLB also specialises in the provision of transaction banking solutions via cash management solutions, trade financing and cash services. Hedging facilities are provided in collaboration with our Global Markets business.</p>	<p>Principal activities include assisting customers to meet their investment and hedging needs through various treasury products, ranging from foreign exchange, money market, commodities, derivatives including interest rate swaps and interest rate swap options, to structured investment products.</p>	<p>Islamic Financial Services are offered by Hong Leong Islamic Bank, a wholly owned subsidiary of HLB which is focused on providing Shariah Compliant Personal Financial Services, Business and Corporate Banking, and Global Markets products and services.</p>

## REGIONAL FOOTPRINT



 For more details on all our local and overseas branches, refer to our 2021 Annual Report, under Local and Overseas Branches on pg 5.

## PARTNERSHIPS AND COLLABORATIONS

We obtain membership and work with a wide range of organisations, associations and groups. These connections not only reinforce our operational processes, but they also help us maintain vital ties with our stakeholders.

Association/Organisation	Benefits to our stakeholders
 <b>Federation of Malaysian Manufacturers</b> <b>FMM</b>	Through our membership, we support Malaysian manufacturers and the nation's growth and modernisation.
 <b>Ombudsman for Financial Services</b>	Provides a channel for our customers to lodge complaints about our products and services and resolve them without incurring costly legal fees.
 <b>The Association of Banks in Malaysia</b>	Through the association, we are actively involved in initiatives to promote and strengthen the commercial banking industry.
 <b>Asian Institute of Chartered Bankers ("AICB")</b>	AICB is committed to elevate the banking education landscape by enhancing the quality of professionals who work within the industry. Employees have completed courses at AICB with the aim to provide them with extensive critical knowledge of the banking sector as well as develop skills and abilities to make professional judgements and informed decisions
 <b>FIDE Forum</b>	Through the Forum, we keep abreast of best practices in corporate governance ("CG"), which serves to strengthen our internal processes and our CG outcomes.
 <b>The Community Chest</b>	This organisation promotes quality education for all and provides marginalised communities with funds and programmes that enhance the provision of education to children.
 <b>Cagamas Holdings Berhad ("Cagamas")</b>	We benefit from Cagamas' Purchase With Recourse, Purchase Without Recourse, and Mortgage Guarantee activities. The company purchases mortgage loans/financing, personal loans, and hire purchase and leasing debts from primary lenders and issues bonds and notes to finance the purchases.
 <b>Payments Networks Malaysia Sdn Bhd ("PayNet")</b>	Through PayNet, our customers have access to cash at more than 11,000 terminals throughout the country. Through PayNet infrastructure, we provide various payment options to cater for varying business and individual needs.
 <b>Credit Guarantee Corporation ("CGC")</b>	Enterprises, and particularly SMEs, without collateral have access to financing through CGC schemes such as BizJamin and the Green Technology Financing Scheme.

# About Hong Leong Bank

Association/Organisation	Benefits to our stakeholders
 <b>Syarikat Jaminan Pembiayaan Perniagaan ("SJPP")</b>	<p>SJPP is a wholly-owned company of Minister of Finance Incorporated that administers and manages government stimulus schemes for SMEs. Through collaboration between the government and financial institutions such as HLB and HLISB, SJPP helps SMEs gain access to finance by encouraging financial institutions to provide more financing facilities and with better rates, terms and conditions for SMEs.</p>
 <b>RAM Holdings Berhad</b>	<p>We tap into services offered by RAM, such as obtaining business profiles and company details from Companies Commission of Malaysia ("SSM"), three-year financial summaries and other critical information pertaining to the financial standing of companies and their directors, assisting us with client assessment</p>
 <b>Islamic Banking and Finance Institute Malaysia Sdn Bhd ("IBFIM")</b>	<p>This association allows us to keep track of Shariah developments, especially regarding finance and banking. It also enhances the Shariah services we offer our customers.</p>
 <b>The Association of Islamic Banking Institutions Malaysia ("AIBIM")</b>	<p>HLISB is one of 26 member banks. HLISB actively supports AIBIM to promote sound Islamic banking systems and practices 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.</p>
 <b>Financial Industry Collective Outreach ("FINCO")</b>	<p>Through HLB's collaboration with FINCO, one of the largest collective impact initiatives in Malaysia, the Bank supports the implementation of programmes for sustainable community outreach through shared funding and resources for children and youth. The initiative focuses on the enhancement of literacy development in the English language, providing life aspiration, increasing financial literacy, enhancing education and supporting disaster relief and preparedness.</p>
 <b>Financial Services Information Sharing and Analysis Center ("FS-ISAC")</b>	<p>FS-ISAC provides intelligence on the latest cyber risks that affect the financial sector. This information is used to enhance the protection and proactively block cyber threats.</p>
 <b>The Malaysian Business Angel Network ("MBAN")</b>	<p>MBAN is the official trade association and governing body for angel investors and angel clubs in Malaysia, which aims to drive the agenda of angel investing in all-inclusive manner. We work closely with MBAN to promote the local entrepreneur and startup ecosystem through the HLB LaunchPad programme.</p>
 <b>Selangor Real Estate &amp; Housing Developers Association ("REHDA")</b>	<p>Selangor REHDA is a state-level representative body with the largest number of developers in the country. Working with the association gives us some insight on the challenges faced by the industry, as well as issues related to mortgage financing.</p>

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# Our Sustainability Approach

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Our commitment to integrate ESG goals into the business strategy underscores our core principle “Here for the Long Term.” We seek to manage our business in a way that will help build a better future for our community and stakeholders. This has anchored our business decisions, especially through challenging circumstances such as the pandemic we are in. We approach this by holding extensive and meaningful engagements with our stakeholders, the outcomes of which set the priorities for HLB’s ESG agenda and HLISB’s Value-based Intermediation (“VBI”) fundamental principles as well as to help us identify and address topics that are most material to us.

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“Every year, we review our performance and assess our gaps to strategise and develop initiatives that would positively influence our environment, our stakeholders and how we govern our operations and manage the risks in our operations. We are deeply aware of the role that we play in contributing to a thriving and resilient society. The pandemic has cast a spotlight on the urgency of our efforts, and we will continue to create long-term value for all our stakeholders.”

**Zalman Zainal**  
Chief Marketing & Communication Officer

“It is important that we ensure and align our sustainability strategy to local and global sustainable practices and standards such as the Bursa Malaysia’s Sustainability Reporting Guidelines, TCFD Recommendations, Dow Jones Sustainability Index (“DJSI”), FTSE4Good and GRI Standards in order to continuously improve and accelerate change for our organisation.”

**Malkit Singh Maan**  
Chief Financial Officer

# Our Sustainability Approach

## STAKEHOLDER ENGAGEMENT

Engaging with our stakeholders provides us with critical input that helps us identify and address our most important ESG priorities. We communicate frequently with our stakeholders to gather information that is relevant and representative of current trends, as well as to ensure we are aware of their constantly evolving priorities.

Stakeholder	Engagement Channels	Frequency	Areas of Interest	How HLB Responds
 <b>Employees</b>	<u>Bankwide Communications</u>		Our employees want to know that their concerns are being heard by management and want to see transparency in our business priorities. They also voice interest in the availability of opportunities for upskilling and professional development, programmes for employee retention, a conducive workplace as well as a systematic rewards programme.	Workforce Readiness Pg52-70
	Town Hall sessions	Minimum twice yearly		
	Group Managing Director Messages on Email and Google Currents	Monthly		
	Human Resources (“HR”) Comms Emails	Ongoing		
	Senior Management Virtual Coffee Chat Session	Quarterly		
	<u>HR Initiatives</u>			
	Performance management process	Goal setting, mid-year review and year-end appraisal, supported by Individual Development Plan discussion		
	Learning and Development	Ongoing, via bankwide and role-based training		
	Curated bite-sized learning	Weekly		
	Disprz e-Learning platform	Subscription basis		
	Graduate programmes	Based on business unit requirements		
	HALI helpdesk chatbot	24/7		
	<u>Employee Engagement</u>			
	Appreciation Day and e-Touch appreciation platform	Annually and Quarterly basis respectively		
	Breast Cancer Awareness Month	Annually		
	International Women’s Day	Annually		
	International Men’s Day	Annually		
	International Children’s Day	Annually		
	HLB Virtual Fitness Activities & Virtual Games	As per annual employee engagement calendar		
	Biggest Loser Challenge	Annually		
Brown Bag Virtual Lunch & Learn	Monthly			
HLB Cares Infographics	Monthly			
<u>Other</u>				
Whistleblowing channel	Upon initiation of whistleblowing cases. Contact information available at Whistleblowing Policy on HLB’s website			
MCO Work Survey	Once			
Group Scholarship Programme	Annually			

# Our Sustainability Approach

Stakeholder	Engagement Channels	Frequency	Areas of Interest	How HLB Responds
 <b>Customers</b>	At our branches	Daily	Our customers are interested in the protection of their personal data and the banking principles that are upheld by the Bank. They also prioritise user-friendly systems and easily accessible banking products and services.	Digital at the Core Pg39-51  Socially Responsible Business Pg71-80
	Self-Service Terminals	18/7		
	Internet and mobile banking	24/7		
	Customer surveys	Daily		
	Telephone and email	24/7		
	Social media (e.g. HLB Facebook, Twitter, LinkedIn, Youtube)	24/7		
	Customer events organised by HLB	Multiple engagements a year, including festive season celebrations		
Whistleblowing channel	Upon initiation of whistleblowing cases. Contact information available at Whistleblowing Policy on HLB's website			
Sustainability Roundtable Series	As and when applicable			
 <b>Investors</b>	Annual General Meetings ("AGMs")	Annually	Our investors want to know about the stability and growth prospects of the Bank and the security of savings and deposits. They are also interested in the enhancement of stakeholders' value.	Good Business Conduct Pg23-38
	Meetings with investors and analysts	At least 200 investors and analysts in a year		
 <b>Regulators</b>	Bank Negara Malaysia ("BNM")	As and when required	Industry regulators seek to ensure that the Bank is fully compliant with relevant laws and regulations. This includes meeting the expectations and requirements of banking regulators and compliance with Shariah requirements where applicable.	Good Business Conduct Pg23-38  Socially Responsible Business Pg71-80
	Bursa Malaysia			
	Perbadanan Insurans Deposit Malaysia ("PIDM")			
	Securities Commission ("SC")			
	Federation of Investment Managers Malaysia ("FIMM")			
	Personal Data Protection Act ("PDPA") Commissioner			
	Ombudsman for Financial Services ("OFS")			
	Securities Industry Dispute Resolution Centre ("SIDREC")			
	Payments Network Malaysia Sdn. Bhd. ("PayNet")			
	Shariah Advisory Council ("SAC")			
	Malaysian Anti-Corruption Commission ("MACC")			
	Labuan Financial Services Authority			

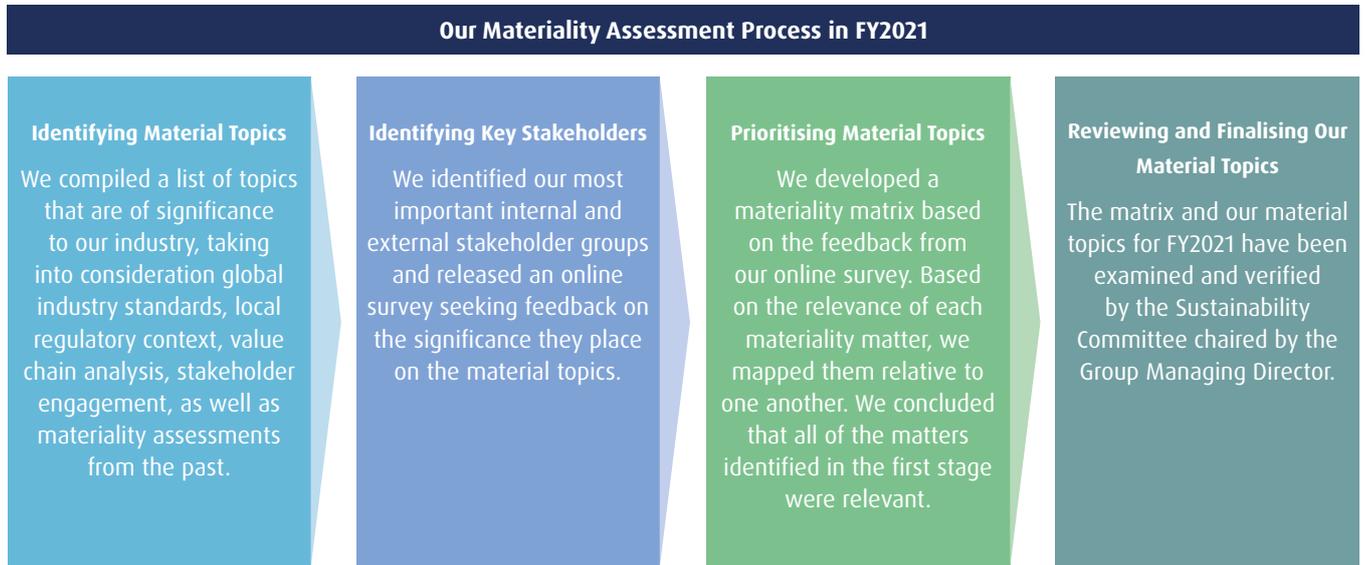
# Our Sustainability Approach

Stakeholder	Engagement Channels	Frequency	Areas of Interest	How HLB Responds
 <b>Suppliers</b>	Supplier engagement rating process	Minimum once yearly	Our suppliers and outsourcing service providers seek transparency in HLB's procurement process and want to ensure that they are fulfilling the Bank's "service level agreement".	Socially Responsible Business Pg71-80
	e-Bidding (live auction)	As and when required		
	Tender process	As and when required		
	Proof of Concept engagements	Based on the project. Ongoing		
	Supplier onboarding programme	Ongoing		
	Supplier due diligence review	Annually		
	Supplier performance review	Annually		
	Outsourcing Service Provider onboarding programme	Ongoing		
	Outsourcing Service Provider due diligence review	Annually		
	Outsourcing Service Provider performance review	Annually		
Supplier and vendor whistleblowing channel	Contact information published on HLB's website as and when channeled by whistleblower to the Bank			
 <b>Community</b>	Via HLB Jumpstart programme for the social enterprises	Varying frequencies (weekly, monthly, or quarterly)	Community members are interested in the availability and accessibility of funds and programmes for those in need.	Community Investment Pg100-104
	Via HLB DuitSmart programme:			
	a. FB Social Media (bite-size content)	Two social media postings per month		
	b. Schools	Up to two virtual workshops per month		
	c. Visually Impaired community	As and when required		
	d. Underprivileged communities	One workshop per group		
Engagements with NGOs and other related charitable organisations via online meetings and participation in donations	As and when required			
 <b>Media</b>	Press conferences / media briefings	Press conference/media briefings: a. Financial results announcement: 2 times a year b. Products/Services launch: As and when applicable c. CSR initiatives: As and when applicable	Media groups require adequate communication platforms and expect to see proactive media engagement from the Bank.	Via HLB Media spokesperson, guided by HLB Public Relations Policy  Via Corporate Affairs & Public Relation ("CAPR") email set up to handle media related enquiries
	Interviews	As and when applicable		
	Media get-togethers – appreciation dinners	Minimum 2 engagements a year		
	Media festive greeting and care pack delivery	Minimum 2 engagements a year		

# Our Sustainability Approach

## MATERIALITY

We conducted an in-depth materiality assessment in FY2021 to identify topics most important to the Bank and our stakeholders.



# Our Sustainability Approach

## REVIEWING OUR MATERIALITY MATRIX

Our materiality assessment resulted in 15 topics that are considered important by our stakeholders, highlighting their shifting priorities during the pandemic. Key concerns include cyber security and data privacy in the face of rising digital banking adoption, employee welfare in a pandemic, and the urgency of financial literacy to help the community weather the economic challenges. In addition, good governance and climate action are topics that always remain relevant.



### Digital At The Core

Cyber Security and Data Privacy is one of the top 3 material topics as we experience a rapid adoption of digital banking brought about by the improved digital connectivity in Malaysia and accelerated by the pandemic.



### Workforce Readiness

Employee Well-being, Health and Safety received bigger weightage among the Workforce Readiness material topics, in line with the social risks due to the pandemic.



### Socially Responsible Business

Good Governance and Fair Banking are two of the top 3 material topics for FY2021, which reiterates the need to conduct our business at the highest standards of ethics and integrity, while ensuring our customers are treated fairly.



### Environmental Management

Although social material topics increased in priority due to the pandemic, the materiality assessment confirmed that our environmental topics remained relevant. In this report, we continue the disclosure of our efforts in operating responsibly and addressing climate impact.



### Community Investment

Financial Literacy is the top-priority topic within the Community Investment theme. Studies have shown the increased need for financial education among Malaysians. With the ongoing pandemic, there is a greater need to educate the community on financial management to help them weather these challenging times.

# Our Sustainability Approach

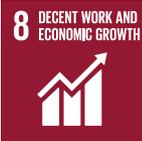
The revised set of fifteen (15) material topics were organised under our 5 sustainability themes and will guide our strategic efforts towards managing ESG risks and opportunities.

HLB Sustainability Themes	Material Topic	Description
 <p><b>Digital at the Core</b></p>	<b>Digital Banking</b>	Digitising products and services, ensuring our offerings are tightly aligned to customers and market place changes; therefore, increasing competitiveness by providing seamless financial solutions to consumers and customers, underpinning business sustainability.
	<b>Cyber Security and Data Privacy</b>	Protecting our organisation and customer data from unauthorised access, attacks or threats aimed at exploiting personal confidential customer and proprietary data, promoting trust and confidence in our business operations.
	<b>Customer Experience</b>	Placing customers at the centre of all we do. Customer-focused experiences in our banking operations, will continue to meet customer’s dynamic demands, delivering the highest level of customer satisfaction in our high quality, innovative products and services.
 <p><b>Workforce Readiness</b></p>	<b>Talent Attraction, Development and Retention</b>	<p>Encouraging a growth mind-set in our employees by providing ‘anytime, anywhere’ learning and development opportunities. Empowering our people to continuously develop skills that equip them for ever-changing business and technological landscapes.</p> <p>Continuing to attract, develop and retain the best talent while embracing the fundamental need to drive change so that we remain competitive, and the business thrives, providing growing employment opportunities.</p>
	<b>Employee Well-being, Health and Safety</b>	Creating an optimum and positive work environment which supports employee safety, promotes their well-being and enables work-life balance to create a healthy and engaged workforce.
	<b>Diverse and Inclusive Workforce</b>	Embracing diversity and cultivating an inclusive workforce provides access to a greater talent pool and attracts the best talent. A diverse and inclusive workforce provides equal opportunities and equal pay for the same work, fosters creativity and innovation, which is crucial to the business’ long-term success.
 <p><b>Socially Responsible Business</b></p>	<b>Responsible Financing</b>	Develop innovative products and services that incorporate ESG and sound sustainability considerations that will promote our contribution to sustained community growth and reduced environmental impacts, whilst ensuring sound business models.
	<b>Fair Banking</b>	Offering products and services that meet customers’ expectations, are fair and responsible and take into consideration the interests of our customers and the Bank.
	<b>Sustainable Supply Chain</b>	<p>Screening and assessing our suppliers to ensure they are in compliance with the relevant laws and regulations as well as meet our economic, social and environmental assessment requirements before onboarding, and during annual reviews.</p> <p>Assisting our suppliers to enhance their mitigation plans on identified ESG risks and disclosure of such risks.</p>

# Our Sustainability Approach

HLB Sustainability Themes	Material Topic	Description
 <p><b>Socially Responsible Business</b></p>	<b>Financial Inclusion</b>	Efforts to promote and facilitate financial literacy, inclusiveness and accessibility to financial services for the underserved or unserved individuals and businesses, alleviating financial hardships and thus enhancing opportunities for all.
	<b>Good Governance</b>	Committed in conducting our business and operations professionally, while adopting the highest standards of ethics, integrity and compliance.  Investing in people, technology, policies and processes to ensure a fit-for-purpose governance framework and robust operational readiness to prevent financial crimes such as money laundering, terrorism financing, fraud, bribery and corruption.
 <p><b>Environmental Management</b></p>	<b>Addressing Climate Impact</b>	Identifying and integrating climate-related risks into HLB's strategies, business operations and across our value chain through our risk management framework.  Reviewing and refining our corporate ESG framework to allow us to better manage our portfolios and transitioning customers to climate change resilient business operations.
	<b>Managing our Environmental Footprint</b>	Using the planet's resources efficiently to reduce Greenhouse Gas ("GHG") emissions and carbon footprint whilst reducing reliance on material resources through the inculcation of responsible consumption in our operations.  Working with customers and partners to ensure continuous improvements and best practices adaptations.
 <p><b>Community Investment</b></p>	<b>Building Communities</b>	Supporting local communities through initiatives that foster social entrepreneurship and conducting social outreach programmes that provide access to financial education and welfare, whilst empowering the community with knowledge, skills and tools needed to secure economic development and advance their quality of life, creating long-term positive social impacts.
	<b>Financial Literacy</b>	Improving understanding of financial services, including Islamic finance, through knowledge sharing and financial literacy programmes aimed at driving inclusiveness by assisting and empowering the community to achieve financial goals.

## OUR COMMITMENT TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (“UN SDGS”)

SDGs	Targets We Support
 <p><b>1</b> NO POVERTY</p>	<ul style="list-style-type: none"> <li>• <b>1.4 Equal rights for all to ownership, basic services, technology and economic resources</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Community Investment chapter, pg 100</li> </ol>
 <p><b>4</b> QUALITY EDUCATION</p>	<ul style="list-style-type: none"> <li>• <b>4.4 Increase the number of people with relevant skills for financial success</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Digital at the Core chapter, pg 39</li> <li>2. Workforce Readiness chapter, pg 52</li> <li>3. Community Investment chapter, pg 100</li> </ol>
 <p><b>5</b> GENDER EQUALITY</p>	<ul style="list-style-type: none"> <li>• <b>5.5 Women’s full and effective participation and equal opportunities for leadership</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Good Business Conduct chapter, pg 23</li> </ol>
 <p><b>7</b> AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> <li>• <b>7.1 Universal access to modern energy</b></li> <li>• <b>7.2 Increase global percentage of renewable energy</b></li> <li>• <b>7.A Promote access to research, technology and investment in clean energy</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Socially Responsible Business chapter, pg 71</li> <li>2. Addressing Climate Impact chapter, pg 88</li> </ol>
 <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> <li>• <b>8.2 Achieve higher levels of economic productivity through technological upgrading and innovation.</b></li> <li>• <b>8.3 Encourage the growth of micro-, small- and medium sized enterprises</b></li> <li>• <b>8.5 Full and productive employment and decent work for all</b></li> <li>• <b>8.10 Expand access to banking, insurance and financial services for all</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Digital at the Core chapter, pg 39</li> <li>2. Workforce Readiness chapter, pg 52</li> <li>3. Socially Responsible Business chapter, pg 71</li> <li>4. Financial Inclusion and Empowerment chapter, pg 81</li> <li>5. Addressing Climate Impact chapter, pg 88</li> <li>6. Community Investment chapter, pg 100</li> </ol>

# Our Sustainability Approach

SDGs	Targets We Support
	<ul style="list-style-type: none"> <li>• <b>9.3 Access of small-scale industrial enterprises to financial services</b></li> <li>• <b>9.4 Upgrade infrastructure and retrofit industries to make them sustainable</b></li> <li>• <b>9.5 Encouraging innovation</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Digital at the Core chapter, pg 39</li> <li>7. Financial Inclusion and Empowerment chapter, pg 81</li> <li>2. Addressing Climate Impact chapter, pg 88</li> <li>3. Community Investment chapter, pg 100</li> </ol>
	<ul style="list-style-type: none"> <li>• <b>12.5 Significantly reduce waste generation</b></li> <li>• <b>12.6 Encourage companies to adopt sustainable practices and sustainable reporting</b></li> <li>• <b>12.7 Promote sustainable public procurement practices</b></li> <li>• <b>12.8 Promote universal understanding of sustainable lifestyles</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Socially Responsible Business chapter, pg 71</li> <li>2. Addressing Climate Impact chapter, pg 88</li> </ol>
	<ul style="list-style-type: none"> <li>• <b>13.2 Integrate climate change measures into policies and planning</b></li> <li>• <b>13.3 Improve education, awareness-raising and human and institutional capacity on climate change</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Digital at the Core chapter, pg 39</li> <li>2. Socially Responsible Business chapter, pg 71</li> <li>3. Addressing Climate Impact chapter, pg 88</li> </ol>
	<ul style="list-style-type: none"> <li>• <b>14.7 Increase the economic benefits from sustainable use of marine resources</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Socially Responsible Business chapter, pg 71</li> </ol>
	<ul style="list-style-type: none"> <li>• <b>15.A Increase financial resources to conserve and sustainably use ecosystem and biodiversity</b></li> <li>• <b>15.B Finance and incentivise sustainable forest management</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Socially Responsible Business chapter, pg 71</li> </ol>
	<ul style="list-style-type: none"> <li>• <b>16.4 Combat organised crime and illicit financial and arms flow</b></li> <li>• <b>16.5 Reducing all forms of corruption and bribery</b></li> <li>• <b>16.7 Responsive, inclusive, participatory and representative decision-making at all levels</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Good Business Conduct, pg 23</li> </ol>
	<ul style="list-style-type: none"> <li>• <b>17.16 Enhance partnership to mobilise technology and financial resources.</b></li> </ul> <p>📄 For more details on our impact please refer to:</p> <ol style="list-style-type: none"> <li>1. Digital at the Core chapter, pg 39</li> </ol>

# Our COVID-19 Response

## OUR COVID-19 RESPONSE

The ongoing pandemic continues to pose challenges to the global economy, deeply affecting the lives and livelihoods of the people. In this environment, both HLB and HLISB have stepped up to offer holistic assistance to our stakeholders, be it to our customers, our employees or to the society at large. We have taken measures to support our stakeholders in alleviating the pandemic impact, while ensuring our employees are being taken care of as we continue to service our customers.



### Employees

#### Our Response

- We swiftly procured a steady supply of PPE at all HLB branches and offices.
- We developed robust standard operating procedures (“SOPs”) in line with governmental and regulatory requirements. We also provided our employees WFH allocations.
- To continue empowering our employees during the pandemic, we transitioned to virtual seminars and self-guided e-Learning sessions.
- Appointed an Occupational Health Doctor registered under the Department of Occupational Health and Safety as a consultant.

 Refer to *Workforce Readiness*, pg 52

In response to its unwavering dedication in supporting its customers and communities throughout the COVID-19 crisis, agility and outstanding foresight, HLB was awarded the Excellence in Leadership in Asia 2020 award at the Euromoney Awards for Excellence announced in August 2020.

# Our COVID-19 Response

## Customers

### Our Response

- Simplified processes and introduced new digital innovations to safeguard the well-being of our customers and speed up applications for payment assistance, while strengthening our cyber security framework.
- Provided relief assistance to affected customers through payment deferrals, loan/financing restructuring and installment reduction.
- Extended our support to 97,000 retail, SME and Corporate customers through an approved financing of RM 22.3 billion under the Payment Relief Assistance Plan (“PRAP”).
- Adhered to strict SOPs at our physical branches and frequently sanitised common touch points within our buildings.

 Refer to *Financial Inclusion and Empowerment*, pg 81



## Community

### Our Response

- Contributed almost RM255,000 to Mercy Malaysia to aid their fight against the pandemic.
- Funds were channelled to purchase medical supplies and High Flow Cannula Oxygen units for hospitals as well as meet the essential needs of marginalised groups.
- HLISB Turun Padang initiative, impacted over 1,000 indigenous people from three Orang Asli communities.
- Collaborated with HLB Jumpstart Social Enterprises, The Asli Co. and SURI to provide hand sanitisers as well as reusable face masks to the communities.
- The two social enterprises were also able to impact their respective communities by providing jobs and income during the pandemic.

 Refer to *Community Investment*, pg 100



## KEY HIGHLIGHTS IN FY2021



Number and rate of  
women in Board

**3** women  
**37.5%** of the Board



Frequency of  
sustainability meetings

**18** meetings



New Anti-Money  
Laundering ("AML")  
technology

Siron Embargo, Siron KYC  
and Siron ACM

# GOOD BUSINESS CONDUCT

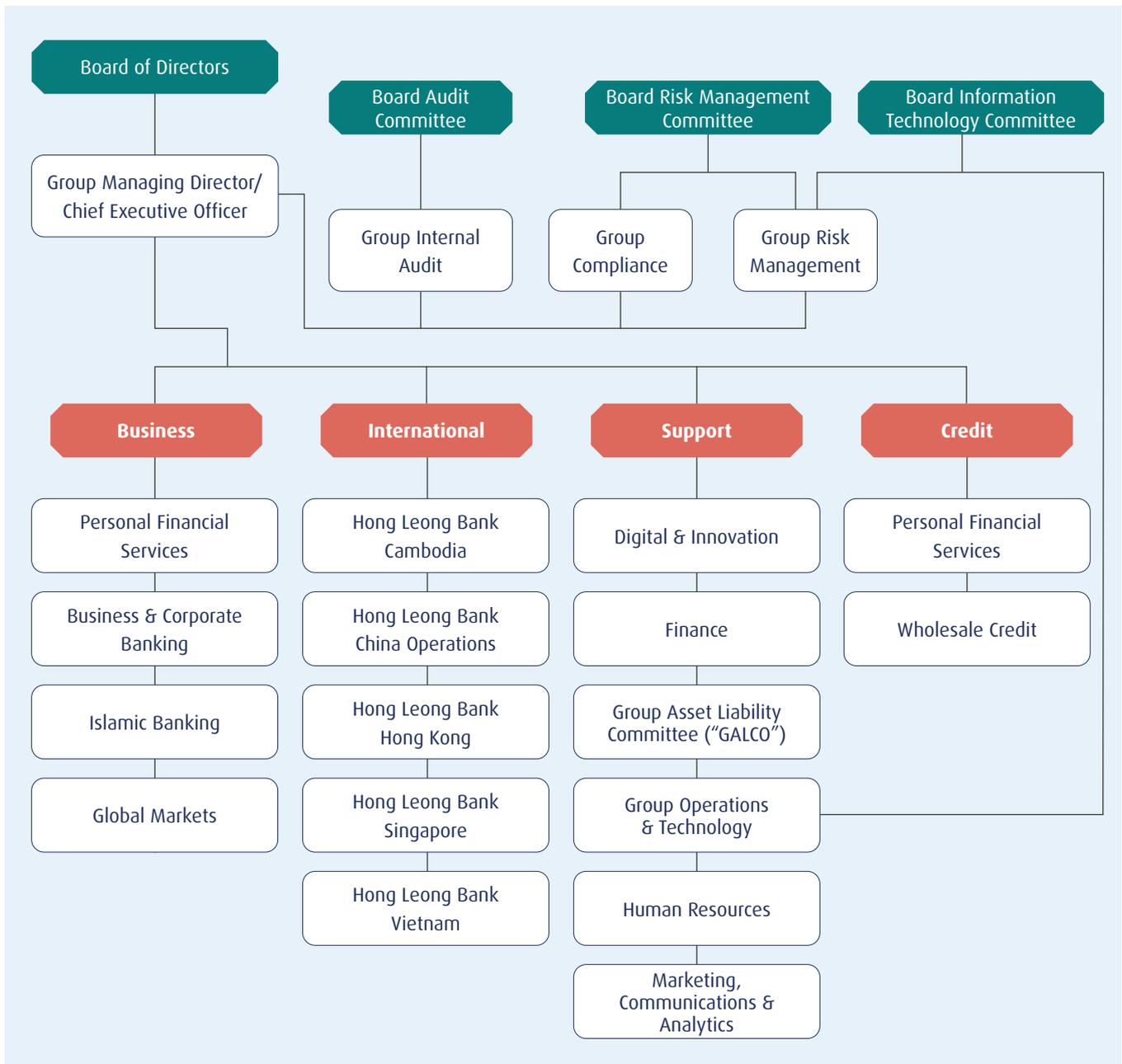
# Good Business Conduct

## ROBUST GOVERNANCE

The Bank's systems, processes, procedures, and rules are all geared towards establishing a culture that values ethical behaviour. To that end, our business ethics and governance principles provide a defined framework and serve as a roadmap for the Bank's expansion. The Bank's Board of Directors sets the tone for responsible behaviour throughout the organisation, reinforcing this culture.

## CORPORATE GOVERNANCE

Sound leadership is the key to successfully aligning sustainability with corporate governance. Our Board of Directors is committed to operating in accordance with robust standards of governance. Along with HLB Senior Management, they monitor systemic compliance with rules and processes in place that govern ethical behaviour, anti-bribery and corruption ("ABC"), anti-money laundering ("AML"), whistleblowing, and other topics. These policies and SOPs are evaluated annually to ensure that they continue to remain relevant.





## BOARD DIVERSITY

The Bank is committed to creating an inclusive workforce, as we believe that diversity creates value for the organisation at large. The Board, comprising mostly independent directors, upholds this belief by championing diversity in its membership composition. In addition, all directors are nominated and appointed on a level playing field, with no distinctions made based on gender, race, and religion. In FY2021, we have three female directors, accounting for 37.5 percent of the Board.



## SUSTAINABILITY GOVERNANCE

Our Board of Directors leads the organisation's approach to sustainability, overseeing the Bank's strategic initiatives to manage ESG risks and opportunities, which include climate change-related policies and activities. This scope of the Board of Directors and the BRMC's purview also includes making sure that all sustainability programmes and policies are aligned with business objectives and principles of the Bank.

Governing Body	Roles/Responsibilities	Frequency of Sustainability-related Meetings in FY2021
	Responsible for the establishment of sound sustainability governance structure and frameworks and its effective implementation to ensure sustainability practices are embedded in business operations.	Two meetings per year - annual strategy and budget review and one meeting for Annual Sustainability Report review and approval
	Support the Board to oversee the management of the Bank's sustainability strategy and ESG risks.	Eight meetings (where sustainability is on the agenda)
	Constituted of senior management and act as the main enabler of the Bank's sustainability and VBI strategies and initiatives	Five meetings
	Constituted of managers / senior officers from Business Units and Support Units who will execute Sustainability / VBI related policies, procedures and practices at operational level	Three meetings & monthly progress update
<b>Total frequency of sustainability-related meetings in FY2021</b>		<b>18</b>

# Good Business Conduct

## ETHICS AND INTEGRITY

The Bank’s Code of Conduct and Ethics (“the Code”) outlines the values, principles, and standards of professional conduct that are expected at the Bank. The Code ensures that all employees, subsidiaries, and business partners affiliated with the Bank adhere to the highest standard of professionalism and ethics in the conduct of our business.

We utilise a multi-pronged approach to foster compliance with the Code among our employees. Compliance is driven by a robust culture of ethical behaviour created through comprehensive engagement with our employees across various channels.

Our all-round approach encompasses introductory training for new employees, as well as frequent refresher courses for current employees. We strive to ensure that the Code is consistently upheld throughout the organisation. The Board of Directors’ and employees’ mandatory annual attestations to the Code reaffirm our commitment to maintaining these standards each year.

### Pillars of Hong Leong Bank Group’s Code of Conduct and Ethics



#### COMPETENCE

The Banking Group is committed to ensuring that its employees develop and maintain the relevant knowledge, skills and behaviours such that our activities are conducted professionally and proficiently.



#### FAIRNESS

A core mission of the Banking Group is to help our customers succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders.



#### OBJECTIVITY

Employees must not allow any conflict of interest, bias or undue influence of others to override their business and professional judgment. Employees must not be influenced by friendship or association in performing their role.



#### INTEGRITY

The Bank’s Vision, Mission and Values identifies a strong values-based culture to guide decisions, actions and interactions with stakeholders as a key enabler for the success of the Bank.



#### CONFIDENTIALITY

The Bank is committed to providing a safe, reliable and secured banking experience for our employees, customers and business partners.



#### ENVIRONMENT

The Banking Group is committed to reducing the effect of our operations on the environment to build our franchise in a safe and healthy environment. We aim to do this by managing resources across the Banking Group and raising staff awareness about the importance of caring for the environment. The Banking Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

In managing bribery and corruption risks, the Bank implemented an ABC Compliance Programme that upholds our zero-tolerance position on bribery and corruption. The Bank also set up an Ethics and Integrity unit to attend to all anti-bribery and corruption matters and coordinate and monitor the implementation of the ABC Policy in safeguarding the Bank against corrupt practices.



For more details on managing bribery and corruption risks, please refer to our ABC Policy.



## COMPLIANCE FRAMEWORK

The Bank has business operations in Malaysia, Singapore, Hong Kong, Cambodia, Vietnam, and China through an associate. The Compliance Framework is in place to ensure full compliance with the legislation outlined by regulators in all jurisdictions that the Bank operates in, as well as the processes and practices governing the day-to-day operations of the Bank.

Through the Bank’s Compliance Framework, Group Compliance collaborates with the Bank’s business and support divisions to establish and maintain systems, rules, processes, and procedures to manage the compliance risk that comes with business operations. To reinforce the framework, Business Unit Compliance Officers (“BUCOs”) and Business Unit Compliance Representatives (“BUCRs”) are positioned in business and support units. Group Compliance is responsible for overseeing these procedures as well as implementing a compliance assurance programme to independently examine the compliance status of the Bank’s different business and support divisions.

Group Compliance also informs the Horizon Scanning Working Group (“HSWG”) of any updates to the regulatory requirements. The HSWG was formed to keep track of the aforementioned changes and analyse their implications on the Bank’s business divisions. A weekly circular is released to keep relevant personnel informed of any regulatory updates issued by the regulators.

## PREVENTION OF FINANCIAL CRIME

In FY2021, the Bank made significant progress in the defense against financial crime by making the ecosystem safer through the launch of a new AML system. The system enhances our screening capabilities for onboarding and monitoring of our customers, and streamlines processes enabling us to serve customers better.



# Good Business Conduct

## PROMOTING A CULTURE OF COMPLIANCE

The Bank's employees are expected to uphold high standards of professionalism as part of their commitment towards supporting the industry's continued growth. To that end, we are dedicated to ensuring that our own people are competent, aligned with our company values, and exhibit behaviours that others can be proud of and trust. Employees are also professionally equipped to manage the challenges of their respective roles.

The Bank understands that to foster and promote the culture of compliance, employees must be engaged and trained on a regular basis. To that end, the Bank provides monthly compliance training that focuses on bank-wide as well as division-specific and role-specific risks. These strategies work to raise awareness of compliance and keep employees updated on compliance matters.

Employees are mandated to complete e-Learning courses conducted via HLB@Workday, the Bank's people and performance management platform. These courses are delivered in a blended format encompassing videos, reading materials, assessments, covering topics such as ABC, AML, Counter Financing of Terrorism ("CFT"), Targeted Financial Sanctions ("TFS"), Banking Secrecy, Shariah Compliance and Data Protection. To ensure that knowledge is retained, these courses are complemented by assessment questions. In the case of role-based training, an assessment requiring a 70% pass score will be triggered 30 days post workshop. Employees that do not pass within the given 5 attempts will be required to re-attend the training. Employees are also kept informed and reminded of required compliance procedures via bank-wide communication channels.

Over 7,800 employees completed e-Learning compliance modules in FY2021. A total of 12 monthly compliance huddles were also held, covering AML/CFT, ABC, fraud, Shariah compliance, cyber security, and other issues that are a priority for the Bank. In addition to bank-wide training, role-based training modules were tailored to meet the specific needs of individual business units, supported by internal subject matter experts. In FY2021, approximately 1,700 employees completed role-based AML/CFT training with 55 employees completing AML/CFT and Regulatory Compliance certification training.

Where required, employees hold specialist qualifications pertinent to their job roles. A target of 716 certified staff throughout the Bank's Risk, Audit, Compliance, Credit, and AML/CFT departments by FY2023 was established. Our updated commitment is to certify 358 employees by FY2022, with all personnel qualified by 2024. As of FY2021, 260 people have achieved their certification, accounting for around 36% of the Bank's target.

## BUILDING A CULTURE OF SHARIAH COMPLIANCE

A Shariah Compliance Culture is described by HLISB as the development of a value system based on Shariah principles and its eventual integration into our company and activities. We believe in embodying these principles wholly and thoroughly in every aspect of our operations, beyond just meeting basic Shariah compliance requirements. HLISB's Shariah Compliance Culture encourages employees to think deeply about the underlying causes and principles that govern our outer actions and behaviour. To cultivate this culture, we organise multiple training sessions throughout the year for both HLISB and HLB personnel.

## WHISTLEBLOWING POLICY

To protect the integrity of our operations, the Bank implemented a Whistleblowing Policy in 2018. All employees, customers, and business associates are encouraged to report any concerns related to improper conduct involving or occurring within the Bank. Our Corporate website includes a Whistleblowing Policy with explicit guidelines on how to express such concerns. Concerns that may be raised through whistleblowing, which can be anonymous, including but not limited to any integrity/honesty or criminal offences including fraud, theft, criminal breach of trust, corruption, bribery and blackmail. Subject to conditions specified in the Whistleblowing Policy and to the extent permitted by law, whistleblowers who make a good faith disclosure will be shielded from retaliative measures or identity disclosure.



Scan QR Code for the Whistleblowing Link

## GENERAL ACCREDITATION PROGRAMMES

HLB and HLISB have implemented The Chartered Bankers programme, a new certification programme jointly awarded by the Asian Institute of Chartered Bankers and the Chartered Banker Institute in the United Kingdom. We anticipate 51 core banking function personnel to attain certification; with 20 employees being certified under the programme thus far. Through certification, employees acknowledge that they have taken steps to achieve and maintain the highest standards of excellence and professionalism in professional banking.

Chartered Bankers Programme - Key Highlights		
	FY2020	FY2021
Number of employees who registered for the programme	44	51
Number of employees who have obtained the certification	9	20
Number of employees still in progress	35	31

## ISLAMIC ACCREDITATION PROGRAMMES

The Bank's push towards enhanced accreditation for employees in our general finance sector is continued at HLISB in our approach towards certifying employees working in the Islamic Finance segment. The Islamic Finance Qualification ("IFIQ") is a series of training created for Shariah professionals working in the Islamic financial industry. All employees who are directly involved in Islamic transactions are required to attain the IFIQ certifications. Since 2017, 744 workers have acquired their IFIQ certification after successfully completing the accreditation process.

In addition to IFIQ, our Shariah team is working to achieve the Certified Shariah Advisor ("CSA") and Certified Shariah Practitioner ("CSP") credentials, with the CSA aimed at individuals with Shariah degrees and the CSP aimed at those without formal Shariah credentials. The CSA and CSP Programme are divided into three levels of certification, all of which may be completed in three years. In accordance with our Capacity Building on Islamic Finance strategy, HLISB sponsors its Shariah Committee members and Shariah officers to enroll in this programme in order to satisfy the professional development needs of the Shariah fraternity established by BNM. In FY2021, a total of 5 employees and 1 Shariah Committee member completed the CSA/CSP programmes.

Islamic Finance Qualification - Key Highlights			
	FY2019	FY2020	FY2021
Cumulative no. of qualified employees	430*	566*	744**
Cumulative target no. of qualified employees	500	500	500

\* Restatement due to reclassification

\*\* This data includes the employees and Shariah Committee members who have completed their 3-year CSA/CSP Programme

# Good Business Conduct

## SUSTAINABILITY RISK MANAGEMENT

As business values evolve, there is a growing awareness of sustainability ideals and their role in ensuring the long-term viability of businesses. As part of that evolution, it is critically important that we, now and going forward, undertake business activities in a sustainable manner having due regard to the impact those activities have on people, communities and planet.

Our commitment to deliver long-term value to our stakeholders drives us to move forward in tandem with these developments and aspirations. The Bank’s dedication and efforts in promoting sustainability both in our business operations as well as to our customers, would provide us with the basis to fulfil our obligations with regard to ESG, and in doing so, align with investor and regulatory expectations.

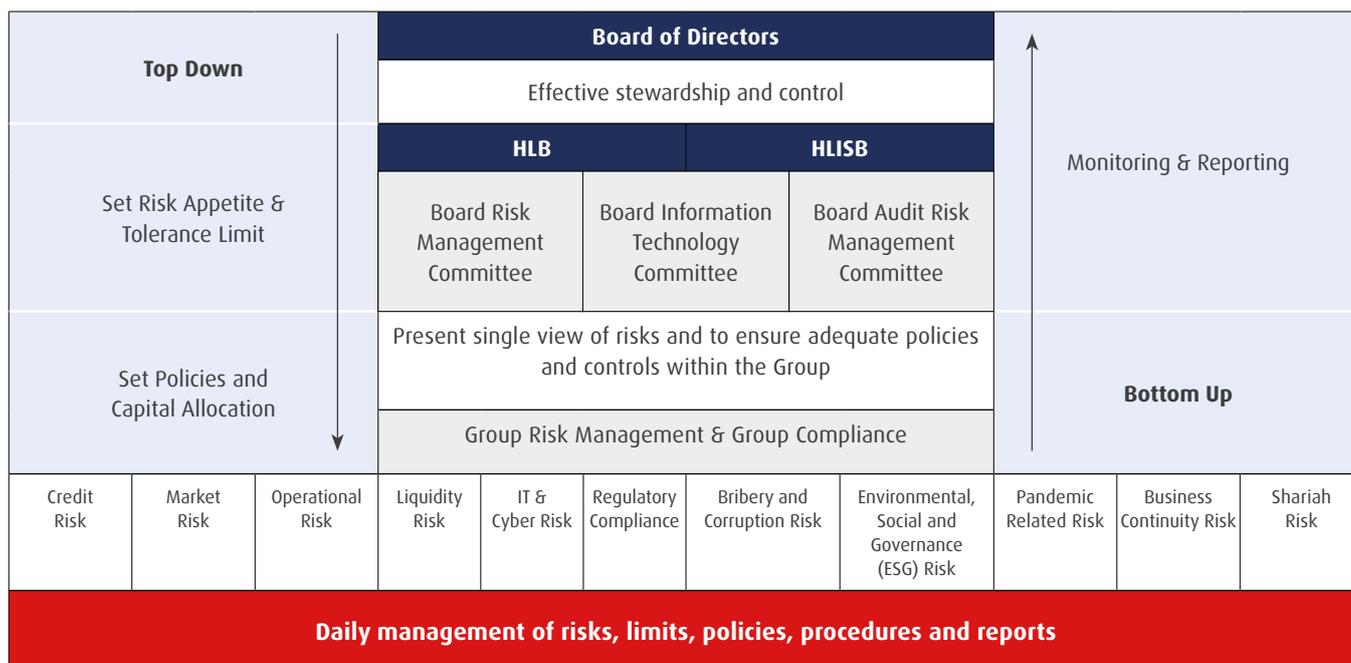
The Bank’s Sustainability Risk Governance Framework was developed to address ESG risks that may arise as we implement our business strategies, policies and initiatives. The Bank is guided by the Framework in taking pragmatic steps to ensure it delivers sustainable value to our stakeholders whilst creating a positive impact to the communities and environments we operate in.

The Framework discussed herein provides a structured approach towards identifying, evaluating, quantifying, monitoring, mitigating and reporting of ESG risks. We hope to improve transparency in our practices and policies, and in improving dialogue with our various stakeholders as we go forward.

Since 2019, ESG risks have already been incorporated into our overall Risk Management Framework, as depicted in the diagram below, where an enterprise view of all the risks that are material to the Bank is taken and acted on by Management of the Bank, with oversight provided by the Board of Directors and the delegated Board Committees of the Bank. We are aware that our business decisions impact the environment, whether it is a direct consequence of the Bank’s actions, or the result of decisions undertaken by our customers, business partners and associates.

As a result, the Bank has taken steps to ensure that these risks are factored into our business operations and policies, reflecting our commitment towards creating a sustainable business and financial ecosystem.

### Enterprise view and management of risks



As the framework evolved, we have further enhanced the governance structure in relation to sustainability via the transition of the Sustainability Project Steering Committee to a continuing management level Sustainability Committee approved by the Board of Directors that will oversee the programmes and initiatives of the Bank in relation to Sustainability. This further integrates with the existing ‘Three lines of defense’ internal controls and risk management model of the Bank, as depicted in the following diagram.

## SUSTAINABILITY RISK GOVERNANCE STRUCTURE



Our sustainability strategic priorities are set by the Board of Directors, which is responsible for ensuring sound governance and effective oversight of the Bank’s Sustainability Strategy. The Board of Directors delegates the review of management’s implementation of the Bank’s Sustainability Strategy to the BRMC.

The Sustainability Committee and Sustainability Working Committee are responsible for implementing the Sustainability strategies, and in managing and mitigating identified ESG risks which includes physical and transition risks. Management provides periodic reporting to the BRMC on execution statuses as well as the results attained. This is coordinated and monitored by the Sustainability department and the Sustainability Risk department.

## THREE LINES OF DEFENSE

Our Three Lines of Defence model promotes control mechanisms for risk management. The model defines clear lines of accountabilities and risk ownership across all areas of the Bank to ensure entrenched and effective management of ESG risks.

01

**1st Line**  
Business lines/departments

- Responsible for identifying, mitigating and managing ESG risks arising from their business activities/operations.

02

**2nd Line**  
Group Risk Management

- Facilitates the setting of risk policies and risk measurement, monitoring of risk metrics and escalation of risk reports and concerns to management and Board.
- Provides advisory for and conducts validation of bank-wide ESG initiatives including in the areas of policies and governance as well as in risk monitoring and reporting.

03

**3rd Line**  
Group Internal Audit

- Provides independent assurance on and verification of the effectiveness of the implementation of the Bank’s ESG policies and operations.

# Good Business Conduct

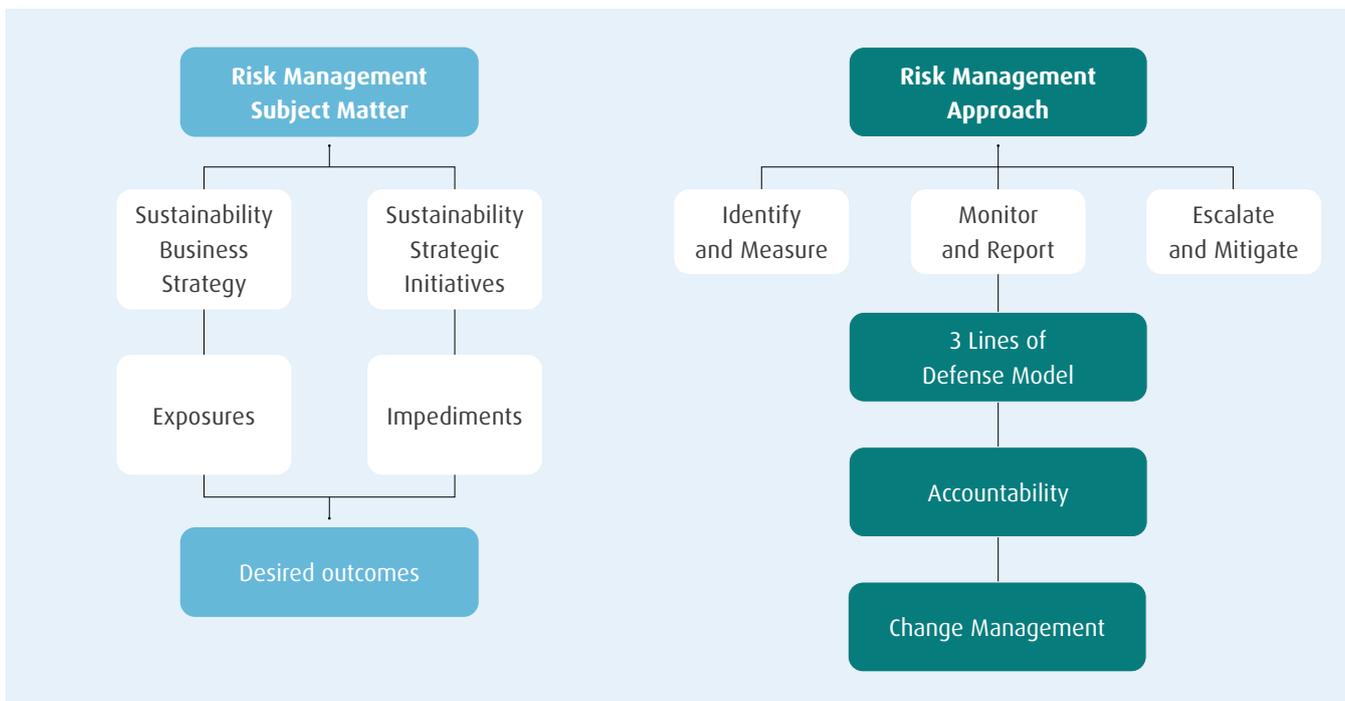
## RISKS TO ACHIEVEMENT OF GOALS



Our approach to mitigate sustainability risk entails managing the exposures or impediments that obstruct the achievement of the Bank’s corporate objectives. In the case of the Bank’s Sustainability Risk Governance Framework, the desired outcomes are as detailed in the description of the sustainability themes on page 3 of this report.

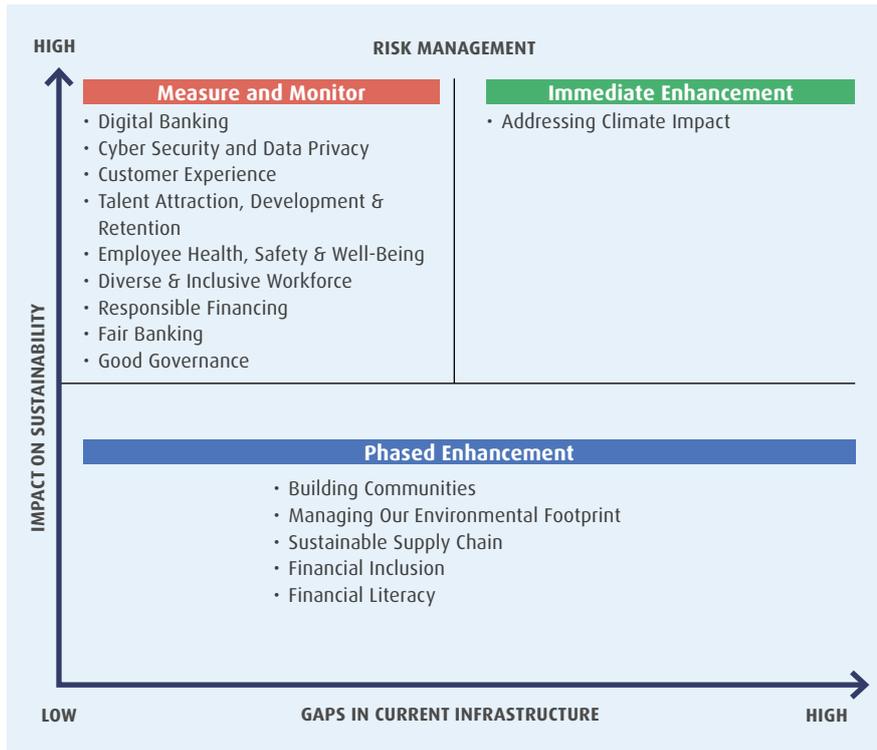
## APPROACH TO RISK MANAGEMENT

To determine the exposures and impediments towards the Bank’s achievement of its corporate objectives, a structured risk management approach, as depicted in the diagram below, is taken, and that includes the first step of identifying and measuring the relevant risks.



## RISK IDENTIFICATION AND PRIORITISATION

As part of HLB's and HLIB's sustainability risk management activity, we have mapped our material topics into a risk matrix, which helps us to assess the severity of these risks and understand the degree of risk mitigation required. The resulting matrix analysis is based on our sustainability themes that contains 15 material topics, as depicted below.



There are three resultant groupings in the risk matrix:

**Measure and Monitor**  
This section indicates topics that have low gaps in current infrastructure and a high impact on sustainability. These topics would be continuously measured, monitored and reported on periodically. Risk thresholds may be applied where appropriate.

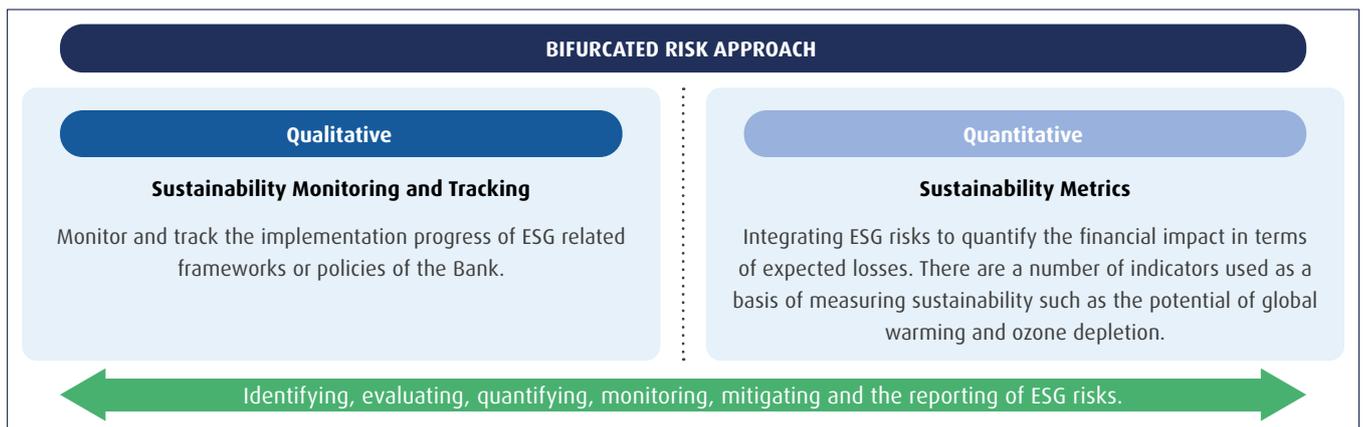
**Immediate Enhancement**  
This section indicates topics that have some gaps in current infrastructure and a high impact on sustainability. Areas of improvement are required to be identified and immediate actions taken.

**Phased Enhancement**  
This section indicates topics that have gaps in current infrastructure and a low to medium impact on sustainability. Areas of improvement need to be identified for these topics. It is important for the Bank to "build for the future".

Based on the matrix analysis as described above, the Bank has identified "Addressing Climate Impact" as the priority and immediate improvement area, and which will be the subject of further description, discussion and disclosure in the succeeding sections of this report.

### Sustainability Risk Management Tools

Following from the identification and prioritisation processes, the Risk Management Framework calls for the measurement and management of the prioritised risk. The following section provides an illustration of the risk management tools and approach used in our management of ESG risks. The Bank adopts a bifurcated risk approach whereby qualitative and quantitative metrics are taken into consideration which are elaborated below.



# Good Business Conduct

In addition, the risk management agenda is then augmented by the risk monitoring reports and risk assurance reviews as described below.

## SUSTAINABILITY RISK MONITORING REPORT

As current trends evolve rapidly, we want to maintain an agile posture when approaching different ESG initiatives across the Bank. As part of the efforts to embed sustainability in Hong Leong Bank’s daily operations, Sustainability Risk Monitoring Reports are being developed to track Bank wide ESG initiatives’ implementation progress and to facilitate sufficient senior level deliberations on significant impacts and opportunities that revolve around the initiatives.

## SUSTAINABILITY RISK ASSURANCE

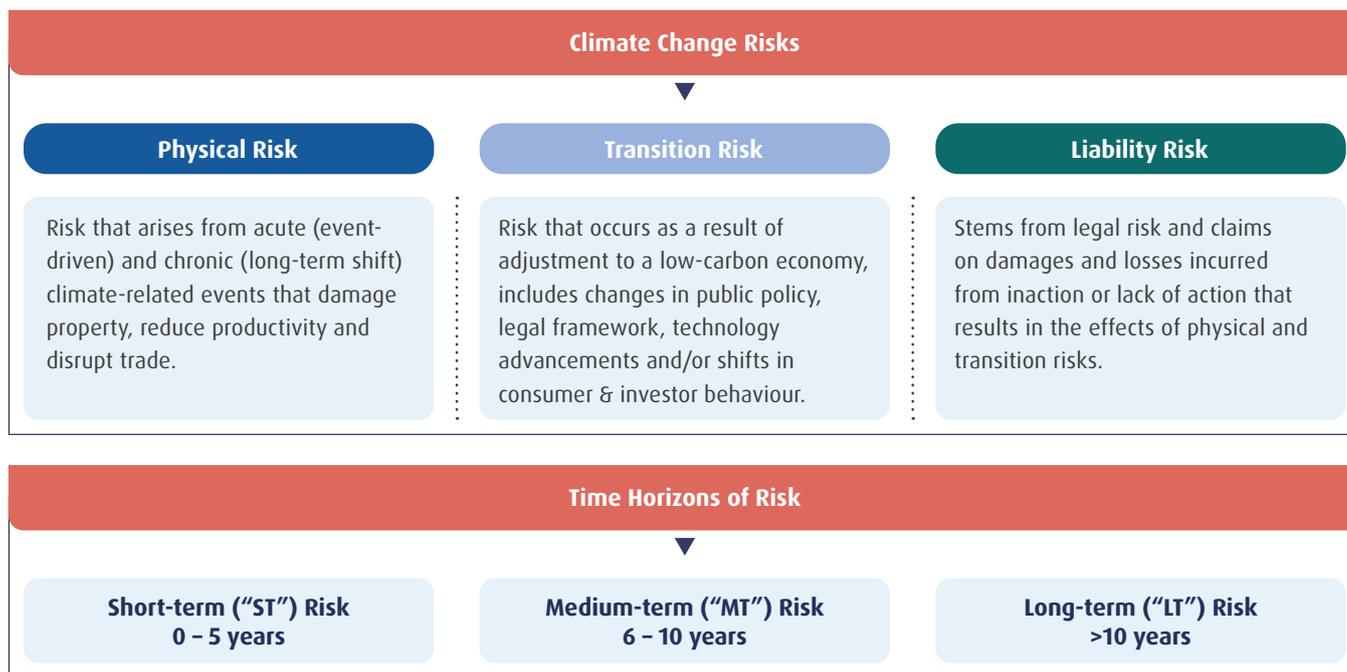
The Sustainability Risk Assurance exercises provide independent reviews of the Bank’s business customers’ credit evaluation processes as well as programmes to promote Sustainable practices in our financial services business. It seeks

to validate whether our internal processes relating to review of our customers’ sustainability profile and standards are being complied with in our customer onboarding, credit underwriting or other client financial facilitation processes.

## CLIMATE CHANGE RISKS AND OPPORTUNITIES

The Bank is exposed to three climate change risks (Physical, Transition and Liability Risk) spreading across most key assets of the Bank. Within these climate change risk categories, we have identified a number of risk factors which we monitor over the short, medium and long term horizon.

The Bank has classified the climate-related risks by time horizons of 5-year intervals; in line with the Paris Agreement whereby each participant is required to communicate the nationally determined contribution every 5 years. In addition, we further take into account repayment behaviour maturity of our loan/financing portfolios, which typically last from 4 years to 15 years, depending on the products.



With the increasing threats of climate change and the broader environmental degradation, the Bank addresses these issues by incorporating ESG standards into the day-to-day business operations. This includes conducting multiple layers of ESG screening and assessments to identify all material considerations of our customers to climate change factors and the broader impact to the environment.

The Bank adopts an inclusion approach whereby the Bank will guide existing customers in environmentally and socially sensitive sectors towards better ESG standards and practices, through supporting them in mitigation plans and nurturing programs. The Bank also recognises that financial institutions play an enabling role in promoting economic sectors that are better aligned to lower carbon emissions and/or better climate-related outcomes.

In relation to the classification of risk timeline for our customers, the Bank will take proactive measures according to the extent to which the activities or exposures meet the climate change risk objectives.

As part of the Bank's BCB ESG Framework, we identified the inherent environmental and social risks of each industry to classify them as either "high", "medium" or "low" risk. Borrowing customers that fall within the "high" E&S risk sectors will be required to undergo an E&S due diligence to assess their ability or plans to mitigate the relevant risk, which may result in the customer being moved to a "medium" or "low" risk rating. "High" E&S risk classifications typically lend themselves to near to medium-term risk (time horizon).

In alignment to ESG standards and best practices, the Bank seeks to shift SME & corporate customers from the high or medium E&S risk category to the medium or low risk category, hence promoting sustainability. At the same time, the data collected will enable the Bank to create fit-for-purpose products & services which best serves to promote sustainable business

practices. The whole process also creates a cultural shift in making ESG a prime consideration in our credit assessment.

Although Climate Change presents its risks, the Bank has introduced initiatives that mitigate and adapt to these risks, which allows the Bank to tap potential opportunities. The opportunity areas identified include resource efficiency, the adoption of low-emission energy sources, development of new green products and services, access to new markets and further strengthening of the Bank's resiliency against risks in general.

Based on the TCFD recommendations, we have conducted a preliminary qualitative assessment of climate change risks and opportunities and their potential positive financial, business and operational impact as described below.

## CLIMATE CHANGE RISKS

Examples of Climate Change risks, financial impact and the potential time horizon of risk as depicted below:

Physical Risks			
Acute Risk		Chronic Risk	
Examples	Financial Impact	Examples	Financial Impact
<ul style="list-style-type: none"> <li>Rising frequencies of extreme weather events such as floods and droughts.</li> </ul>	<ul style="list-style-type: none"> <li>Devaluation of assets/ collateral values as a result of damage to property and assets in high-risk locations.</li> </ul>	<ul style="list-style-type: none"> <li>Long-term shifts in climate patterns e.g. caused by rising sea levels and extreme heat waves</li> </ul>	<ul style="list-style-type: none"> <li>Rise in cost of capital and operational disruptions due to the physical damage of the facilities.</li> </ul>
Time Horizon: ST/MT/LT		Time Horizon: MT/LT	

Transition Risks			
Market Risk		Technology Risk	
Examples	Financial Impact	Examples	Financial Impact
<ul style="list-style-type: none"> <li>Change in consumer sentiments and demand.</li> <li>Devaluation of assets such as fossil fuel reserves.</li> <li>Rising cost of production from higher material cost.</li> </ul>	<ul style="list-style-type: none"> <li>Decrease in revenue due to the change in revenue mix and sources.</li> <li>Repricing of assets i.e. fossil fuel reserve, land and security valuation.</li> </ul>	<ul style="list-style-type: none"> <li>Cost of transitioning to low-carbon technology.</li> <li>Substitution of existing products and services with greener solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Costs to deploy and adopt new practices and processes.</li> <li>Research and development expenditure in new and alternative technologies.</li> </ul>
Time Horizon: MT/LT		Time Horizon: ST/MT/LT	

Policy and Legal Risk		Reputational Risk	
Examples	Financial Impact	Examples	Financial Impact
<ul style="list-style-type: none"> <li>Changes in Policy and regulation e.g. GHG emission reduction policies and mandates on and regulation of existing products and services.</li> <li>Legal liabilities e.g. Penalties for involvement in illegal deforestation.</li> </ul>	<ul style="list-style-type: none"> <li>Write offs and asset impairments of existing corporate assets due to changes in regulations and increased litigation.</li> <li>Lower corporate earnings.</li> </ul>	<ul style="list-style-type: none"> <li>Shift in investor, consumer and community preferences.</li> </ul>	<ul style="list-style-type: none"> <li>Rising negative perception on the Bank resulting loss of customers thus reduces profitability.</li> </ul>
Time Horizon: ST/MT/LT		Time Horizon: ST/MT/LT	

# Good Business Conduct

## CLIMATE CHANGE FINANCIAL RISKS

Examples of climate change financial risk, metrics and potential time horizon of risk are depicted below:

Climate Change Financial Risks			
Market Risk		Strategic Risk	
Examples	Financial Impact	Examples	Financial Impact
<ul style="list-style-type: none"> <li>Decline in the value of securities/assets.</li> </ul>	<ul style="list-style-type: none"> <li>Mark-To-Market ("MTM") losses.</li> </ul>	<ul style="list-style-type: none"> <li>Inability to transition from brown financing portfolios to green thus losing competitive advantage and market share to competitors.</li> </ul>	<ul style="list-style-type: none"> <li>Lower Market Share/ Profitability.</li> </ul>
Time Horizon: MT/LT		Time Horizon: MT/LT	

Liquidity Risk		Enterprise-wide Risk (Capital Risk)	
Examples	Financial Impact	Examples	Financial Impact
<ul style="list-style-type: none"> <li>Rising liquidity issues arising from customers' inability to meet its obligations.</li> <li>Disruption in the Bank's cash flow.</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of cash in flow due to customer inability to service their loan obligations.</li> <li>Large withdrawal of deposits from customers to fund their capital spending on low-carbon equipment or to repair the damages caused by floods.</li> <li>Reduction in liquid asset value as a result of MTM losses from bonds/ investments held.</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate capital to buffer against climate-related risks and losses, which may impede the Bank's long-term business viability.</li> </ul>	<ul style="list-style-type: none"> <li>Lower Capital Adequacy Ratio/Core Equity Tier 1.</li> </ul>
Time Horizon: ST/MT/LT		Time Horizon: ST/MT/LT	

## CLIMATE CHANGE OPPORTUNITIES

Examples of climate change opportunities, potential positive financial, business and operational impacts are depicted below:

Type	Climate- Related Opportunities	Potential Positive Financial, Business and Operational Impacts
<b>Resource Efficiency</b>	<ul style="list-style-type: none"> <li>• Transition to more energy efficient buildings.</li> <li>• Reduction in water and electricity usage and consumption.</li> <li>• The use of recycling.</li> </ul>	<ul style="list-style-type: none"> <li>• Improvements in health and safety through a reduction in air pollution resulting from cleaner combustion.</li> <li>• Reduction in energy, water and maintenance costs.</li> <li>• For example: Energy, Efficiency &amp; Conservation Measures in Hong Leong Tower, PJ City Tower A and HLB branches.</li> </ul>
<b>Energy Source</b>	<ul style="list-style-type: none"> <li>• Use of new technologies.</li> <li>• Use of lower-emission sources of energy.</li> <li>• Use of supportive policy incentives.</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction in the Bank's exposure towards GHG emissions thus resulting in reduced sensitivity to changes in the cost of carbon.</li> <li>• Higher returns on investment in low-emission technology.</li> <li>• Reputational enhancements resulting in increased market take up of the Bank's products and services.</li> <li>• For example Energy, Efficiency &amp; Conservation Measures in Hong Leong Tower, PJ City Tower A and HLB branches.</li> </ul>
<b>Products and Services</b>	<ul style="list-style-type: none"> <li>• Development of new products and services through innovation.</li> <li>• Development and expansion of low emission products and services.</li> <li>• Ability to diversify business activities and shift investor/consumer preferences.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in revenue through rising demand for new and innovative products and services offered.</li> <li>• Increased customer engagement through the better competitive position attained and which reflects the shift in investor/ consumer preferences.</li> <li>• For example: SME Solar Financing, BCB Green Financing.</li> </ul>
<b>Markets</b>	<ul style="list-style-type: none"> <li>• Access to new markets</li> <li>• Introduction to greener securities/ assets.</li> <li>• Shift the investor/ consumer behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase in revenue through the diversification of financial assets.</li> <li>• For example: Sustainable Sukuk.</li> </ul>
<b>Resilience</b>	<ul style="list-style-type: none"> <li>• Adoption of energy efficiency and conservation measures.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase market valuation through resilience planning e.g., infrastructure enhancements.</li> <li>• Cost saving in relation to maintenance cost. Ability to operate under various energy contingency events.</li> <li>• For example: Energy, Efficiency &amp; Conservation Measures in Hong Leong Tower, PJ City Tower A and HLB branches.</li> </ul>

# Good Business Conduct

## INITIATIVES TO MANAGE PHYSICAL AND TRANSITION RISKS

Accordingly, the programmes and initiatives of the Bank relating to climate change risk management are given corresponding focus in the risk management agenda of the Bank. The programmes and initiatives are as follows:

Material Topic	Programmes/ Initiatives
Addressing Climate Impact	<p><u>BCB ESG Policy &amp; Assessment Framework</u></p> <ul style="list-style-type: none"> <li>To better manage our portfolios and transition customers to climate change resilient business operations.</li> </ul>
	<p><u>Property Developer End Financing</u></p> <ul style="list-style-type: none"> <li>Integrate ESG evaluation into decision-making processes for panel developers.</li> </ul>
	<p><u>Investment and Wealth Management</u></p> <ul style="list-style-type: none"> <li>Introduction of framework for and implementation of sustainable investments and wealth management for our customers.</li> </ul>
	<p><u>Carbon Reduction and Offsetting Initiatives</u></p> <ul style="list-style-type: none"> <li>All round carbon reduction and offsetting initiatives to help reduce carbon emissions.</li> </ul>
	<p><u>Sustainable Procurement Framework</u></p> <ul style="list-style-type: none"> <li>Build business relationships with suppliers who uphold the Bank's sustainable practices and values.</li> </ul>
	<p><u>Green Securitisation/ Sukuk</u></p> <ul style="list-style-type: none"> <li>Implement socially responsible capital markets and corporate finance initiatives. In 2021, the Bank was the first Bank in Malaysia to undertake a consumer finance green securitisation exercise in conjunction with Cagamas where RM300m (HLBB RM200m &amp; HLISB RM100m) of financing assets were securitised with Cagamas, as part of the Bank's ESG initiative to issue green finance solutions such as Green Securitisation and Sustainable Sukuk/Bonds.</li> </ul>

Further details of these initiatives are described in the other parts of the report.

## KEY HIGHLIGHTS IN FY2021



**11%**  
increase in  
internet banking users



**42.4%**  
increase in the total number  
of digital transactions



**13%**  
growth in Corporate  
Banking digital users



**22%**  
increase in the number of  
transactions on HLB ConnectFirst



HLB Connect App is used by  
**1,597,787**  
customers

# DIGITAL AT THE CORE

# Digital at the Core

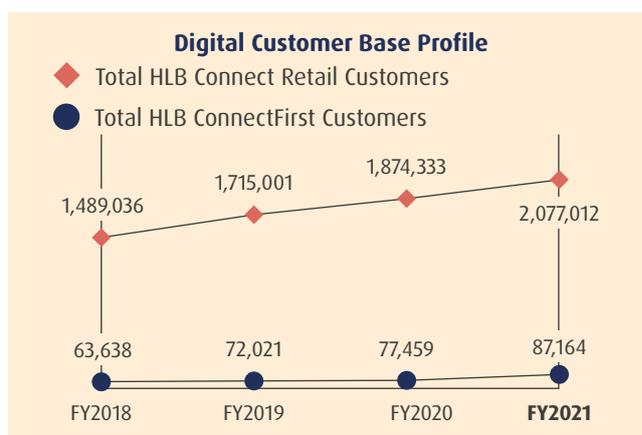
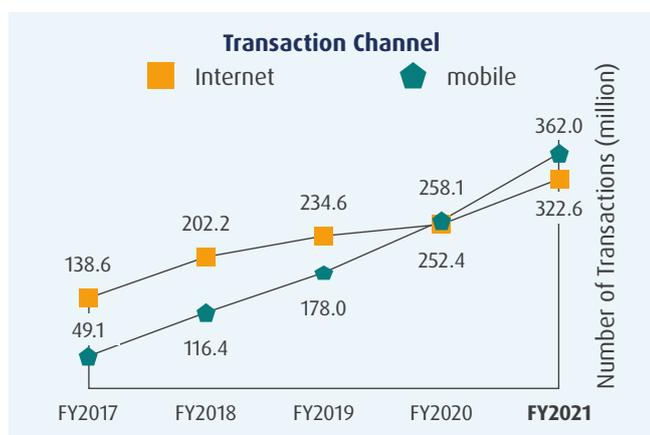
## OUR DIGITAL TRANSITION

Digital banking has become increasingly important to HLB and its customers, especially during the pandemic. The platform allows banking transactions to continue uninterrupted while keeping everyone safe, underpinning our priority. We have been embracing the Digital-at-the-Core ethos for a few years, which positioned us well to leverage the existing systems in accelerating our digitisation efforts when movement restrictions kicked in. We have observed a steady increase in the adoption of our digital offerings across various demographics as a testament to our success.



## OUR DIGITAL SOLUTIONS

Throughout FY2021, our digital offerings have effectively allowed our customers to adopt the digital banking/financing for greater safety and convenience. The following figure shows the total number of transactions in FY2021:



\* Data on total transactions via branches and SST have been omitted in this report as we focus on providing our stakeholders with a clearer trajectory of the growth in our digital platforms.

The Bank maintains its competitiveness and relevance by keeping up with technological developments in the financial industry. A key part of our strategy is to continuously upgrade and innovate our existing digital solutions, while developing new exciting digital products and services for our customers. Our expanding customer base, particularly those who perform digital transactions, attest to the effectiveness of our efforts, and hence further drive us to continuously cater to the growing digital demands of our customers.



# Digital at the Core

## REIMAGINING BANKING EXPERIENCES

The pandemic environment necessitated the creation of banking solutions which provide a seamless experience for our customers, while keeping them safe. Digitisation has allowed us to reimagine the banking experience for our customers, providing a service that is more convenient, accessible, and safe. For instance, we now offer them the option of applying for or renewing debit cards online and for young savers (below 18) who are seeking to open a Junior 3-in-1 Account, they may also do so virtually. These efforts allow our customers to access crucial banking services without needing to visit our branches, supporting our virus-curbing measures.

In addition, Fixed Deposit (“FD”) retention rates for both conventional and Islamic products were also offered to customers who do not wish to visit the physical branches for FD renewal. This enables our customers to communicate their intention to roll over FD via mobile text messages without the concern of losing out on missed interest. We also encourage remote digital onboarding by arranging our Mobile Deposit Specialists to visit the business premises of our customers to help them create an account using the InBranch tablet or the Apply@ HLB App. This further enhances the accessibility of our digital offerings and allows a broader segment of the market to benefit from these innovative measures.

## OUR PIONEERING DIGITAL INITIATIVES IN FY2021

**Apply@HLB**



**What We Introduced**  
HLB and HLISB made history in FY2021 by becoming the first bank in Malaysia to provide a fully digital onboarding experience for Malaysians wanting to create a bank account remotely and, eliminating the need to visit a physical branch or a SST.

Leveraging e-Know-Your-Customer (eKYC) technology, we launched the ‘Apply@HLB’ mobile in October 2020.

**Value For Our Customers**  
Allows customers to create an account with us anytime, anywhere. Their Debit Card is first made available digitally with the physical card sent to them wherever they are in Malaysia. In the near future, customers will be able to use the Apply@HLB app to register their mobile phone numbers to gain transaction authorisation code (“TAC”) access which will allow HLB Connect users to decrease their reliance on in-person branch transactions.

**Value For HLB**  
As of May 2021, 4,500 new accounts have been registered via the Apply@HLB app.

**HLB’s Official Store on Shopee**



**What We Introduced**  
With the opening of its official store on Shopee Mall, HLB became the first bank in Malaysia to establish an e-commerce presence by allowing customers to apply for a savings account online.

**Value For Our Customers**  
Customers can now sign up for banking products and services on one of Malaysia’s most popular e-commerce sites without having to visit bank branches in-person. The bank accounts available on the HLB official shop have been carefully chosen to meet the needs of various client categories. HLB’s online shop is a step toward the Bank’s goal of offering complete value-added online banking solutions to meet the growing demand for digital services.

**Value For HLB**  
Since the launch, our online store has registered 68,600 followers and garnered thousands of account opening applications. We also received an average customer satisfaction rating of 4.8 out of 5 as a response to this digital store.

# Digital at the Core

## HLB CONNECT RETAIL

“HLB’s aspirations for its digitalisation efforts focuses on creating a seamless and simplified experience for our customers. Throughout the pandemic, our focus was on creating a safe and accessible experience for our retail customers, as well as maintaining business continuity for our SME customers. We understand that the convenience of banking should be supplemented with innovation to match rapidly changing customer behavior and needs.”

**Charles Sik,**  
**Managing Director,**  
**Personal Financial Services**

To facilitate safe and convenient banking transactions, the Bank provides flexible online banking solutions to our retail customers, aligned with our goal of improving the customer experience via digitalisation. Through our flagship HLB Connect platform, we offer our retail customers a one-stop digital avenue to conduct various banking functions through the website and mobile app.

## HLB Connect Retail Value Added Benefits



### e-Fixed Deposit

Set higher transaction limits for both conventional and Islamic products to securely transfer funds from other banks all in one go



### Fixed Deposit Management

Manage, view and make withdrawals online for Fixed Deposits made in-branch for both conventional and Islamic products



### Quick Cash

Borrow any amount within your credit limit and receive funds in your HLB bank account the next business day



### Credit Card Functions

Perform self-service functions including card activation, card replacement and travel notifications



### Instant Disbursement

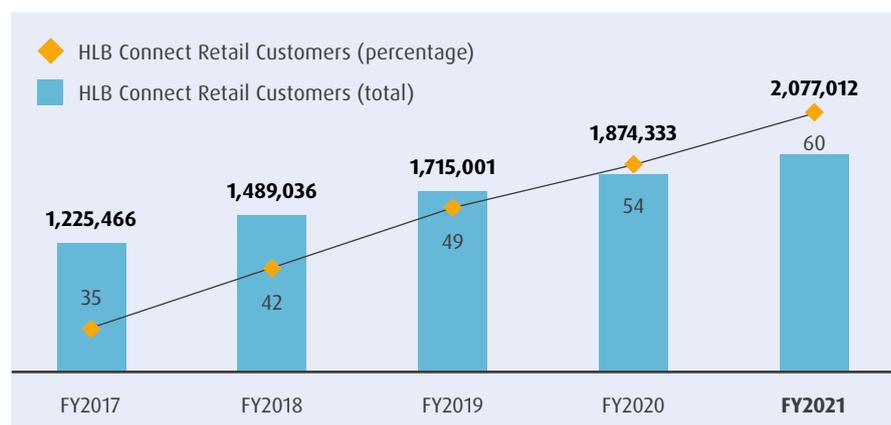
Instantly receive funds in your HLB account following application approval for select borrowing/financing products



### HLISB Investment Account

The first digital investment account offered by an Islamic bank in Malaysia launched in FY2019

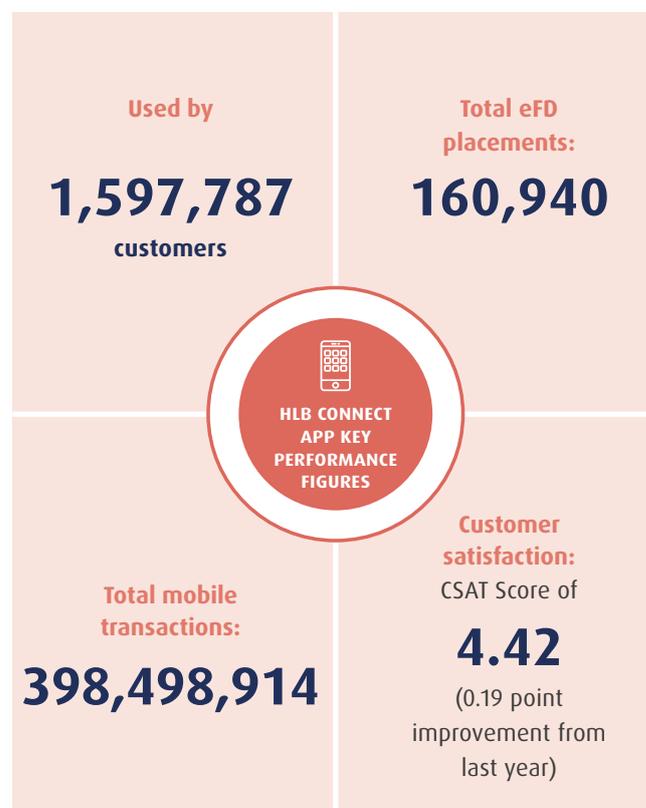
In addition, we emphasise the importance of providing digital banking experiences that meet the needs of our customers in a tangible way. To do so, we review our customers' use of digital services and the volume of digital transactions, using a range of metrics and analytics to determine if our solutions are effective. In FY2021, the total number of customers utilising our HLB Connect Retail platform increased by roughly 10%. This figure places our current digital retail customer base at 60% of all customers, achieving our FY2021 target. Moving forward, the Bank’s goal is to achieve an adoption rate of 70% by FY2022.



## HLB CONNECT APP

The HLB Connect app deftly enables our customers to conduct mobile transactions. As part of our continuous efforts towards elevating our customer experience, we revamped the app in FY2021 with an enhanced user interface that delivers a more streamlined user experience. Customers are able to now use Quick Pay, a feature that allows them to quickly duplicate previous transfers or payments. Understanding our customer's growing needs for a mobile-first experience, we offer a wide range of transaction limit options in the app, which were previously only accessible via the website. In addition, customers could also establish "Transaction without TAC" limits for non-favorite transfers and payments, eliminating the need to obtain a TAC for every transaction regardless of its size.

The increasingly interconnected nature of the global economy also necessitated the introduction of a Multi Foreign Currency Deposit feature to the HLB Connect App, which allows users to perform balance enquiries on their multi-currency account as well as purchase available foreign currencies. Providing credit amenities and cash flow in a timely manner is of utmost importance to us, and we now allow customers to submit their Personal Loan and Credit Card Applications via the app and provide access to enhanced features of the Junior Account. We also launched a personalised promotional feature in June 2021 which enables customers to be presented with offers that are relevant to them based on their product ownership.



For all Personal Banking Deposits/-i and Investment products, as well as Credit Cards, we stopped delivering hardcopy statements in FY2021.

## Amanah Saham Nasional Berhad ("ASNB") eChannel Services

Following the successful launch of the Bank's fund distribution partnership with Amanah Saham Nasional Berhad ("ASNB"), HLIB was chosen to launch the online platform for ASNB's products. This reaffirmed our commitment towards digitising multiple processes under HLIB's ASNB Unit Trust Funds, in accordance with the Bank's Digital at the Core strategy.

We introduced the ASNB eChannel Services in FY2021, which was created to not only educate and raise awareness about the importance of long-term investments, but also to assist customers in managing their funds. Customers can now use HLB Connect to subscribe for new funds, manage them, and perform balance enquiries on the digital ASNB platform.

# Digital at the Core

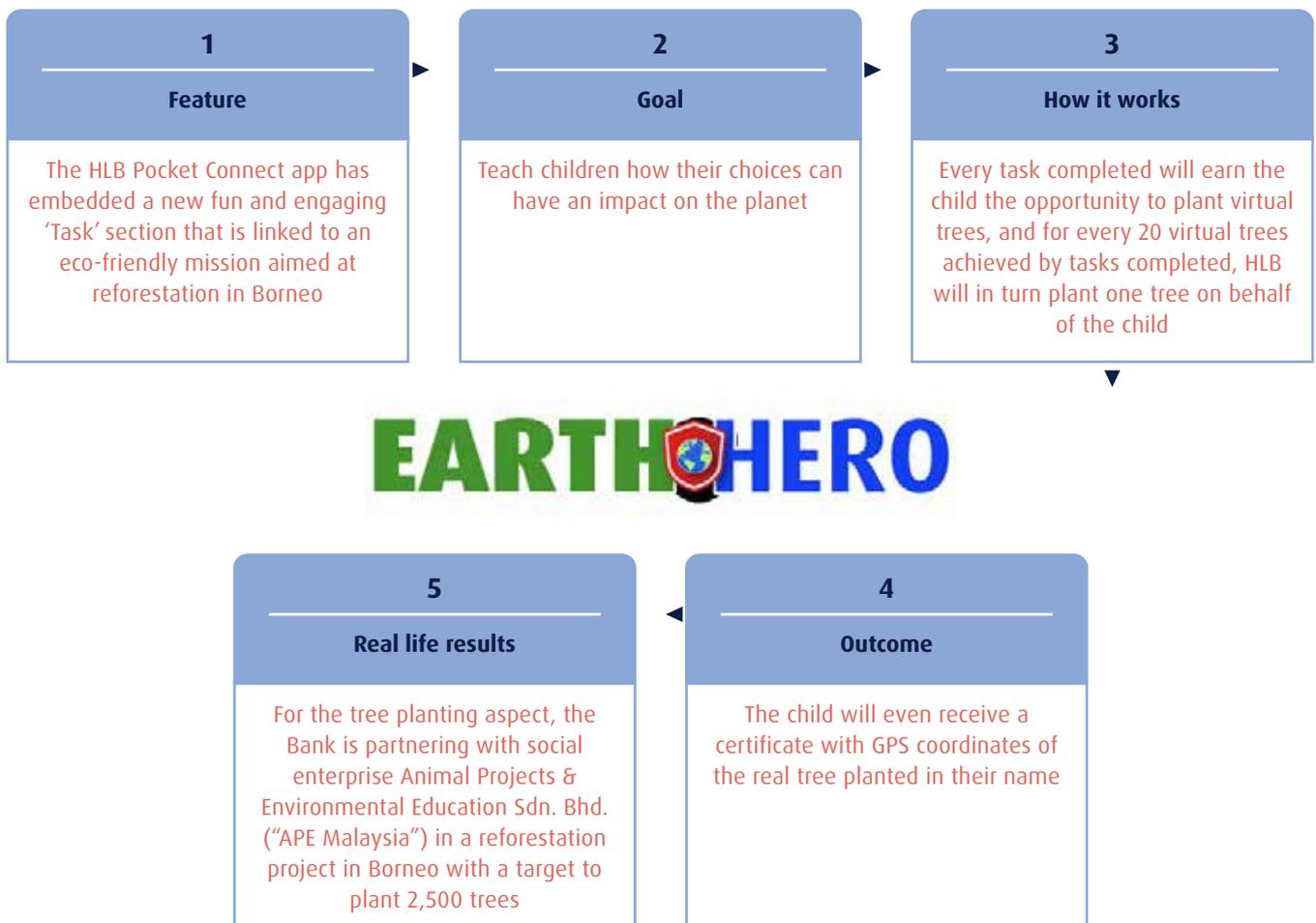


## HLB POCKET CONNECT FOR JUNIOR SAVERS

We believe sound financial habits should be cultivated from a young age. In line with this objective, we recently launched an extension of the flagship HLB Connect platform, known as HLB Pocket Connect for Junior Savers. A first-in-market digital platform that serves both savers under 18 and their parents, it helps young savers manage their pocket money and savings, while encouraging parents to start early in inculcating responsible financial habits in their children through the patented Earn, Save, and Spend interactive features.

Leveraging the digital environment of the HLB Pocket Connect platform, we also launched a new project called "Earth Hero" in FY2021. The initiative is part of the Bank's efforts to share knowledge and expertise with our customers and communities on issues related to sustainability and environmental conservation. Created with digital natives in mind, Earth Heroes encourages children to adopt environmentally conscious and financially sound habits via its highly engaging platform.

## EARTH HERO @ HLB POCKET CONNECT



## HLB CONNECTFIRST FOR BUSINESS

HLB understands that resilience and business continuity is of utmost importance in the uncertain climate caused by the COVID-19 pandemic. To support our corporate customers in these trying times we provided a complete set of banking products via HLB ConnectFirst, our digital platform for businesses. The platform offers a variety of transaction banking services suited to business needs, and can be tailored to meet the demands of our corporate customers and improve their productivity.

Compared to FY2020, our Corporate Internet Banking users, including ConnectFirst and ConnectBiz customers, have risen by 17.1% in FY2021.

	FY2019	FY2020	FY2021
Corporate Internet Banking Users	72,021	77,459	<b>87,164</b>
Increase in Corporate Banking Users from previous FY (%)	13	8	<b>13</b>
Number of transactions	-	37,083,579	<b>45,162,052</b>
Transaction Value (RM in billion)	-	107.42	<b>159.89</b>

### Key Features of our HLB ConnectFirst for Business

A revamped eToken platform, paired with a first-in-market biometric facial-recognition technology for mobile devices, to provide quick and enhanced protection for our business customers.

Through partnering with SWIFT, we integrated their Global Payment Initiative (“GPI”) technologies onto our platform, enabling our customers to conduct cross-border transactions rapidly in a faster and more transparent manner.

Included a FastCollect function to allow customers to be onboarded as JomPAY billers 88% more quickly than through traditional methods.

Aligning to the needs of our SME customers, we launched the HLB ConnectFirst Lite, a SME-specific digital platform, which offers them means to optimise their cash management by streamlining functions. In addition to our own platform, HL ConnectFirst Lite, HLB engages with renowned partners to put together a comprehensive Digital Business Solutions to empower today’s SMEs by allowing them to execute critical back office administrative and marketing activities conveniently.

### E-tools available for SMEs



#### BIZTORY

An e-accounting and invoicing software solution



#### KAKITANGAN

An e-HR platform that manages human resource functions such as the payroll system



#### SIMPLETAX

An online Sales & Services Tax and Income Tax advisory tool

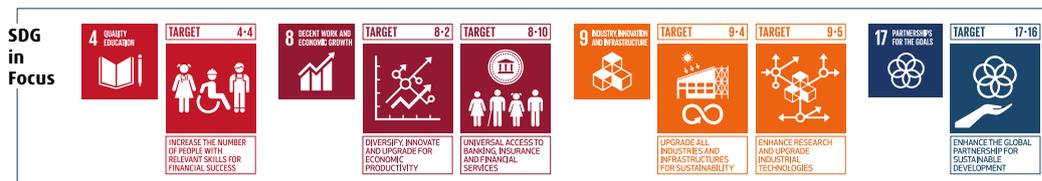


#### DIGITAL ADVERT

An industry pioneer service that offers affordable outdoor digital advertising package to an access of 3,500 digital screens in Malaysia

Our HLB ConnectFirst platform reached a significant milestone in FY2021. We launched the second edition of this platform (HLB ConnectFirst 2.0) which simplified the previous version by revamping the user interface to reflect current digital trends and personalised actions aligned with customer preferences.

# Digital at the Core



## OUR DIGITAL INITIATIVES AND PARTNERSHIPS TOWARDS A CASHLESS SOCIETY

The Bank seeks to create value for our customers by championing the digital advancement of the Malaysian banking industry. As cashless transactions gain traction, we continue to support the growth of an integrated financial environment in which digital payment methods facilitate smooth financial transactions. Our goal is to leverage our knowledge and digital expertise to champion contactless transactions in our drive to create a cashless society.

The COVID-19 pandemic has emphasised the role of contactless and cashless payments in curbing the spread of the virus. HLB promotes cashless transactions via a suite of existing products, such as contactless bank cards, mobile payment methods, and online

banking services. In addition, we are expanding our merchant network to transition to cashless payments by introducing incentives such as lowered transaction rates and waived desktop terminal rental fees. HLB has also digitised our merchant onboarding process in an effort to make it more streamlined.

We also tirelessly innovate to create more products and services to enable cashless transactions. Through partnering with Malaysia's largest convenience store to accept cashless payments, we allow cardholders or e-wallet users to go cashless even with small ticket items. In addition, we have introduced self-service kiosks at our merchant partner outlets which allows customers to make payments independently, thus enabling cost savings and improving customer experience. We are also working with parking providers to explore ways to offer cashless parking payment systems.



### INITIATIVES TO ACCELERATE THE DRIVE TOWARDS CASHLESS IN FY2021

#### E-Commerce Payment Solution

- Introduced Mastercard Payment Gateway ("MPGS") which allows customers to accept online payments on their websites
- Partnered with iBeli and Easystore to help merchants launch online storefronts

#### Key Achievements

Year-over-year ("YoY") e-commerce sales volume increased by 51 percent

#### HLB Tap on Phone

- Developed through a partnership with Payment Networks Malaysia, this is a contactless mobile payment acceptance service for Android mobile devices that lowers the expenses of going cashless for small businesses, especially those on social media platforms

#### Key Achievements

Successfully enabled Tap on Phone for 37 merchants and 834 devices as of June 2021

#### Cashless Lagi Senang

- Onboarded merchants at over 20 public marketplaces across Penang
- Collaborated with Paynet to incentivise merchants on Redang Island to sign up as a HLB merchant

#### Key Achievements

50% of onboarded merchants are actively using the terminals, with e-wallet acceptances accounting 78% of the overall transactions on average

#### Pay Safe Lah Campaign

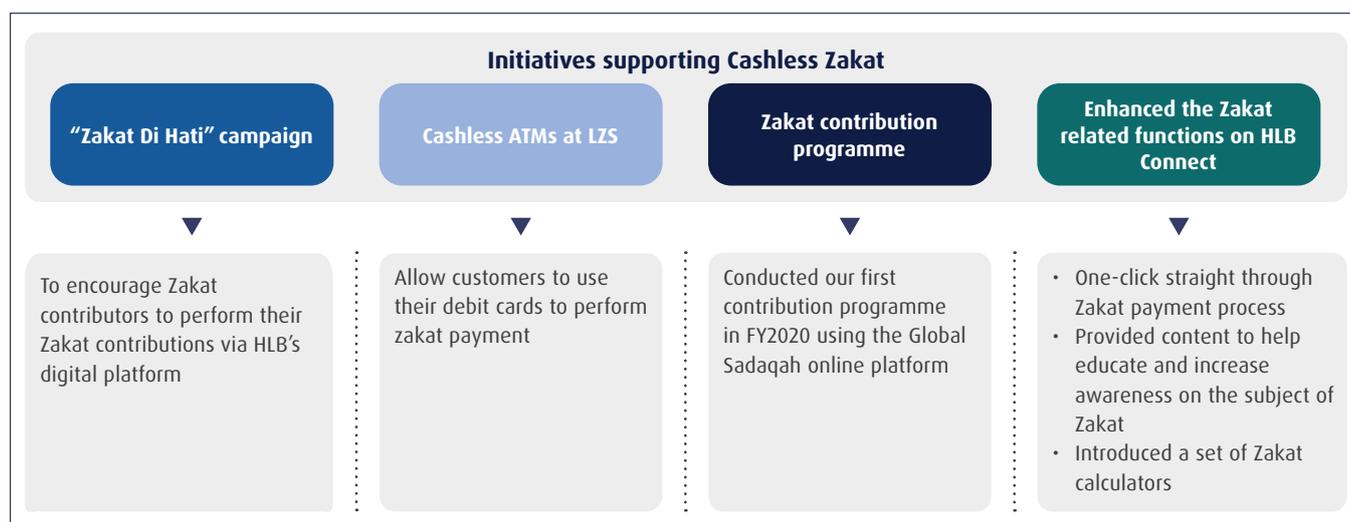
- Retailers were charged zero-to-minimal fees for debit card transactions and provided care packages and Point-of-Sale ("POS") materials
- Collaborated with merchants to offer cardholders pay-with-purchase deals to enable them to buy at merchant outlets

#### Key Achievements

Increased HLB Brand awareness among merchants led to a 25% increase in YoY sales for HLB

## SUPPORTING CASHLESS ZAKAT

We have launched several initiatives in recent years to support our customers to adopt cashless Zakat payments as well as to educate and build their awareness on the subject of Zakat practices as a whole.



## SHARIAH KNOWLEDGE SHARING THROUGH DIGITISATION

One of the most essential features of digital technology is the potential it provides for expanding access to information. HLIBS seeks to use our digital platform to help customers and the general public better understand Islamic finance, in acknowledgment of the social knowledge gaps that exist in society with regards to Islamic banking and financial services.

Our updated HLIBS Website aims to improve the public understanding of Islamic finance and encourage the adoption of Islamic banking products and services. The website was revamped based on our customers' needs as separated by the five pillars of Islamic Wealth Management. These five pillars included Creation, Accumulation, Preservation, Distribution, and Purification pillars, which were all included in HLIBS's "Cradle to Grave" proposition.

### Key Features in Our Revamped HLIBS Website

Customers wishing to contribute towards selected charitable organisations and Waqaf bodies may obtain info from dedicated Sadaqah and Waqaf pages and make their contributions via the JomPAY platform.

Calculators for Zakat, ASB Financing-i, Auto Financing-i, Property Financing-i and Personal Financing-i are provided to help consumers better understand their options.

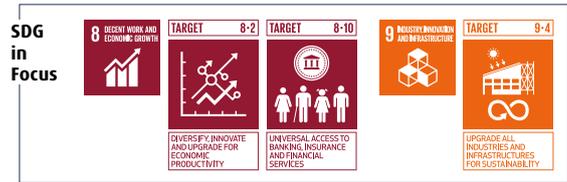
Co-created simplified explanations on different aspects of Islamic finance and banking products work to make Islamic banking more accessible.

## HLIBS'S SOLUTION DESIGN LAB

Our Solution Design Lab was launched to apply design thinking into the Bank's creation administration of Islamic financing solutions. The goal of doing so was to promote product innovation on behalf of our Islamic banking client segment. Through our Lab's progress, we succeeded in developing a more customer-focused and interactive HLIBS website.

*To learn more about how we instill a design-thinking culture in our employees, refer to Design Thinking on pg 51.*

# Digital at the Core



## OUR DIGITAL INFRASTRUCTURE

Our continuous desire to keep up with the rapid technological developments lies in our core capability to ensure we develop a robust digital infrastructure supporting our transformation process. In order to be self-sufficient in selected technological functions in FY2021, we believe that it is vital to strengthen the Bank’s cyber security and data privacy while building internal digital front-end capabilities.

## CYBER SECURITY AND DATA PRIVACY

As the digitisation of financial services creates new opportunities to meet our customers’ needs, new digital risks emerge as well. We continue to invest in our cybersecurity infrastructure and ability to counter new digital threats so that we can deliver efficient services while protecting our customers against harm. As a result, we pay careful attention to updates in regulatory rules to ensure full compliance in this rapidly evolving risk area.

The Board Information and Technology Committee (“BITC”), established in January 2020, jointly support the Boards of HLB and HLISB in overseeing technology and cyber security related matters and ensuring that risks assessments undertaken in relation to material technology applications are robust and comprehensive. With the Bank’s growing digitisation efforts, the BITC oversees that the Bank meets the expectations on technology and cyber security risk management.

Our Board Policy on Data Protection and Customer Secrecy, which was created in accordance with the Personal Data Protection Act (2010) (“PDPA”), Financial Services Act 2013 (“FSA”), Islamic Financial Services Act 2013 (“IFSA”) and other laws and regulations, governs the collection, storage, processing and protection of customers’ personal information. This policy outlines the required compliance-related roles, responsibilities, processes, and practices to be adhered to within the Bank, and aids in the development of a compliance culture among our employees. The Bank’s Privacy Notice, which applies to the personal information of customers, employees and business partners, informs customers/partners about how the Bank manages their personal information and what rights and protections they have as owners of the data. Stakeholders are notified of changes to the Privacy Notice via the Bank’s website or other relevant communication channels, such as email.

As part of our business management plan, the Bank engages national and international early warning systems to detect cyber security threats. We subscribe to the Financial Services – Information Sharing and Analysis Centre (“FS-ISAC”) to stay informed on new potential cyber-attacks. Threat intelligence solutions have also been enlisted to give real-time information that helps us to prevent cyber-attacks.

As part of our digital risk management strategy, we conduct training and awareness programmes on cybersecurity with the aim to build a culture where data security is top-of-mind among our employees. In FY2021, we conducted a Brown Bag session for 166 employees on Cyber Security Awareness and over 6,200 employees participated in our Monthly Huddle session on Data Protection and Banking Secrecy. All our employees have also completed a mandatory e-learning compliance module on the subject in FY2021, achieving 4,227 training hours in total.

## HELPING OUR CUSTOMERS BROWSE SAFELY

The Bank is committed to protecting the privacy and safety of our customers across all our platforms, especially as an increasing proportion of our customers are embracing digital transactions. We undertake efforts to equip our customers with the knowledge to identify and avoid fraudulent activities. Our HLB Website and the DuitSmart platform details how customers can protect themselves from scams, phishing, malware alerts, and other common online scams. In addition, customers who visit the HLB website and click on a third-party link are informed that HLB’s Privacy Notice will be terminated once they click the link. Hong Leong Connect additionally provides a security reminder on the login screen and in our customers’ personal inbox.

We documented a total of 54 incidents linked to phone scams in FY2021. All reported incidents were forwarded to our Fraud Management Unit, where they were investigated further.

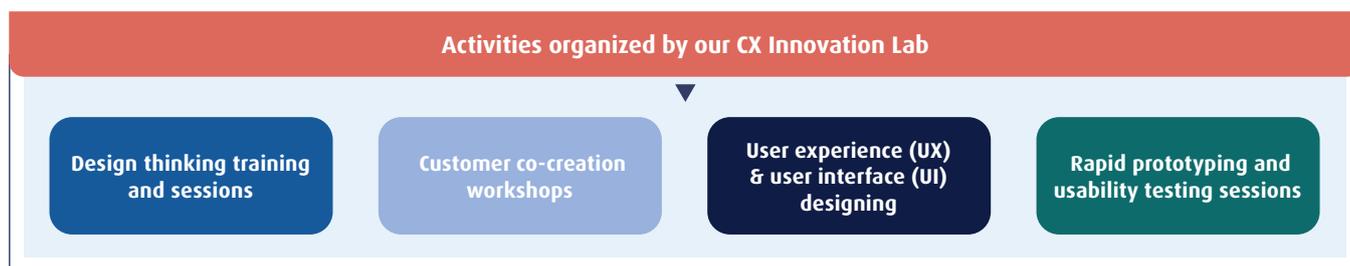
## CUSTOMER EXPERIENCE

At HLB, we continuously listen to our customers across channels and use the insights to then cater to their wants and needs to continue to be relevant in an ever-changing financial services market. The rapidly evolving technological landscape and prevalence of COVID-19 pandemic has shifted customer demands towards expecting for a more simplified, convenient, and seamless banking experience. The Bank strives to meet and exceed these expectations through continuous improvements and innovation of our products and services to provide customers with what they need, when they need it through the channel of their choice.

## DIGITALISATION OF CUSTOMER EXPERIENCES

For our digitisation initiatives to be impactful, they must be developed in a way that enhance our customers' banking experience and add value to them. We do so by investing in new technologies, leveraging customer research, and working with our ecosystem partners. These efforts are aimed at creating a simple, seamless, and straightforward banking experience that offers our customers a greater degree of control over their finances.

Our Customer Experience ("CX") Lab provides a conducive environment for idea generation and prototyping while fostering greater collaboration between teams. A core purpose of the CX Innovation Lab is to enable us to garner rich and deep customer insights to better understand and cater to their needs. We garner insights via various methods such as quantitative research, ethnographic and qualitative research, A/B testing, gaze tracking, and UI/UX usability tests.



# Digital at the Core

## CUSTOMER SATISFACTION

We are strong believers in listening, understanding and catering to the needs of our customers to continue being relevant in an ever-changing financial services market. As our customer expectations continue to evolve, we have also been moving in tandem by creating context rich, real-time customer feedback mechanisms to obtain timely and actionable insights to improve our customer experience.

**Tools And Platforms Used to Assess Our Customer Experience**



**Voice of Customer (“VOC”)**

- The VOC platform is our primary means of gathering feedback from our banking customers
- Gathered feedback from over 420,000 customers over 12 months and distributed them to the relevant business teams to be addressed



**Social Media Platforms**

- We have presence on platforms such as Facebook, Twitter, Instagram and Google Maps (Google My Business) to actively listen and engage with our customers and to share their feedback with the entire bank on a daily basis



**‘Red Alert’ Closed Loop Feedback Mechanism**

- In FY2021, we introduced ‘red alerts’ notification feature within our internal chat platforms to notify frontline employees in real-time the moment we receive any adverse customer feedback to enable swift problem resolution



**‘Designed by You’ Community Platform**

- An exclusive platform for HLB customers to share ideas and help build the future Hong Leong Bank that our customers want to see. On this platform, we are able to engage in meaningful two-way virtual discussions and crowd-source ideas to improve our banking experience for our customers, truly underscoring our customer-obsessed approach.
- As of June 2021, we have over 5,000 registered customers with more than 9,000 customer engagements and customer ideas posted on the platform

The Bank remains committed to prioritising both our digital and physical platforms as we continue to meet the diverse needs of our customers. The importance of doing so is reflected in our FY2021 customer satisfaction scores. As a result, even as we accelerate our digital transformation, we ensure that our branches and SST networks stay operational for our customers' convenience and accessibility.

 To learn more about our physical branches, please refer to *Maintaining our Physical Presence*, pg 79.

**FY2021 Customer Satisfaction Score Highlights**

**85%**

of our customers report they are satisfied with the experience offered by our mobile banking and internet banking platforms

We were rated

**4.32 out of 5** on average by our mobile banking users and

**4.26 out of 5** by our internet banking users

**86%**

reported that they are satisfied with our branch and SST network services

We were rated

**4.39 out of 5** on average by customers who visited our branches, and

**4.38 out of 5** by our SST users

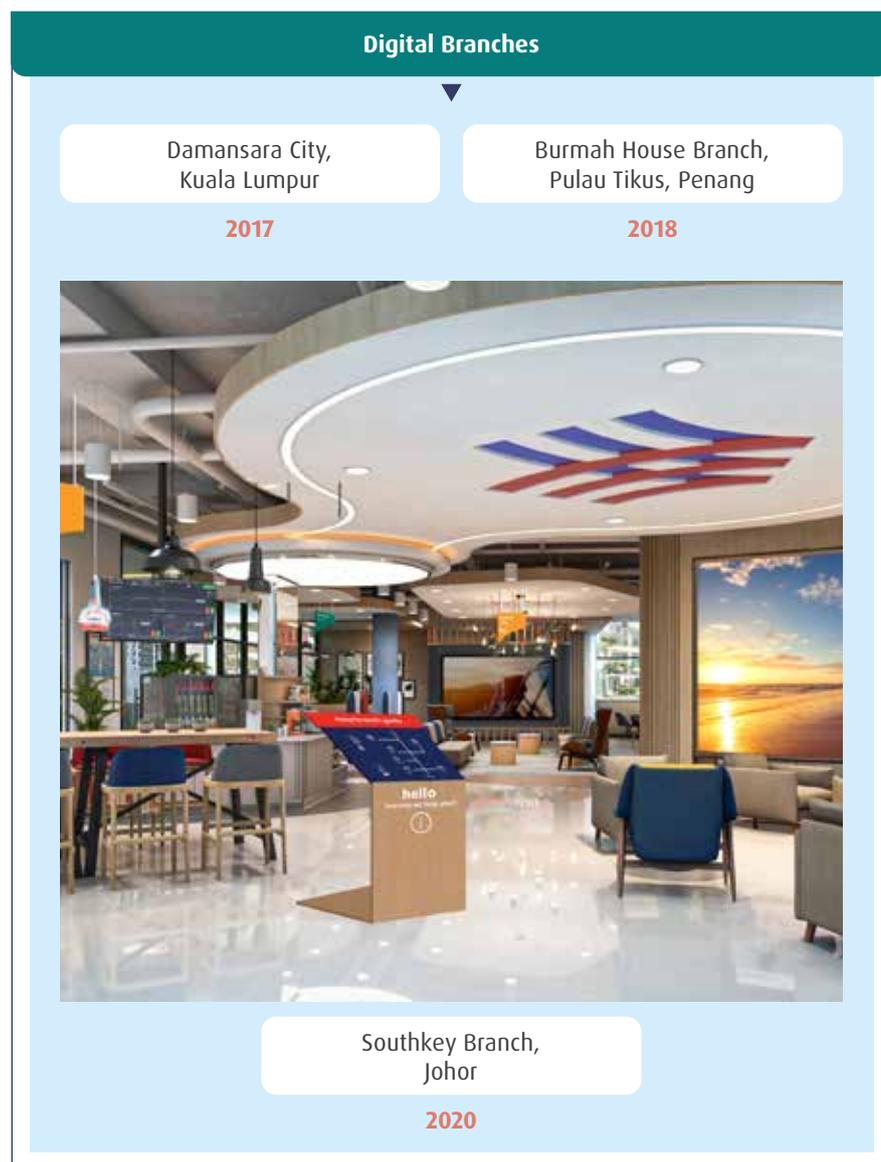
### TRAINING OUR EMPLOYEES TO BE CUSTOMER-ORIENTED

The Bank is committed towards providing customer-oriented service to all our customers, as we believe that service excellence forms the bedrock of long-lasting relationships with our stakeholders. To achieve our goals, we conducted role-specific training for our employees to ensure they are knowledgeable in product, compliance, and customer service skills, and thus able to provide a superior level of customer experience in all their interactions. More than 1,723 customer-facing workers have completed role-based compliance training so far this year.

Additionally, we leveraged an e-learning platform called Disprz to provide 481 of our Branch Managers as well as Customer Service and Operations Managers with a structured learning path on business and communication skills. The platform provides a variety of corporate communication and soft skills ‘best practice’ courses, as well as role-specific training like sales and negotiating masterclasses and customer service excellence do’s and don’ts.

## DIGITAL BRANCHES

The opening of HLB's flagship Digital Branch in 2017 was a watershed moment in the Bank's attempts in reimagining banking in the digital age. Our Digital Branches have served as a blueprint for the future of brick-and-mortar banking, utilising new technologies to increase productivity and improve customer experience.



Customer centricity lies at the heart of our business ethos, and that philosophy is evident in the way our digital branches employ a number of different technologies to provide our customers with a seamless experience. To help customers complete their banking transactions more quickly, we use paperless strategies, providing app-enabled digital tablets with biometric capabilities during consultations with branch Personal Financial Consultants. Other technology-enabled amenities such as wireless terminals and apps are also provided to facilitate a more efficient experience.

We understand that digitisation should not come at the expense of thoughtful customer service, which is why we have automated data processing activities to allow our employees to dedicate more time towards meaningful customer interactions. In addition, InBranch tablet-based teller services have been deployed to a total of 224 branches, meeting our FY2021 goals. Based on transactions from our top 174 branches, InBranch is used for 88 percent of transactions. This functionality will be available to all of our Personal Loan Sales Specialists in FY2022 and moving forward we will also be incorporating additional sales and services transactions in the InBranch application to ensure that it caters for all customers' needs.



## KEY HIGHLIGHTS IN FY2021



Total no. of employees

**7,803**

- Male - 37.4%
- Female - 62.6%



**Workforce diversity**

- Chinese - 58.1%
- Malay - 31.1%
- Indian - 7.7%
- Others - 3.1%



Increase in Average training hours per employee

**31.5** hours to  
**69.4** hours



**Learning & Development**

**94%** of training is now conducted in a virtual format including new hire onboarding, role-based compliance training and people manager workshops



Addressing employee well-being with the launch of

**PlusVibes**, an all-in-one mobile platform for physical, mental and emotional health

# WORKFORCE READINESS

# Workforce Readiness

## NURTURING A SUSTAINABLE EMPLOYEE EXPERIENCE

Our journey to embed sustainable considerations in key HR practices is guided by the Bank's overarching value of being 'Here for the Long Term'. We seek to nurture relevant and positive employee experiences to ensure that our employees are able to have a productive and meaningful career journey with us.

"At HLB, workforce readiness remains a priority as we progressively drive sustainable practices in all that we do. We continue to strengthen our approach to talent management across the board - including talent branding, attraction and recruitment, training and development, performance management, coaching and succession planning and employee retention whilst addressing the health, safety and well-being of our employees in the ongoing pandemic."

**Fiona Fong,**  
Head of Human Resources

We are driven by four core pillars that focus on nurturing a sustainable employee experience. Below is a brief overview of our key highlights in creating a nurturing workplace for our employees who we believe are our greatest asset:



### Workplace Readiness

#### Focus Area

Driving HR practices across the organisation with agility via HLB@Workday



### Workforce Readiness

#### Focus Area

Incorporating ESG awareness into learning, recalibrating upskilling for a post pandemic world



### Talent Management

#### Focus Area

Deepen and strengthen end-to-end talent management processes



### Employee Well-being, Health & Safety, Environment

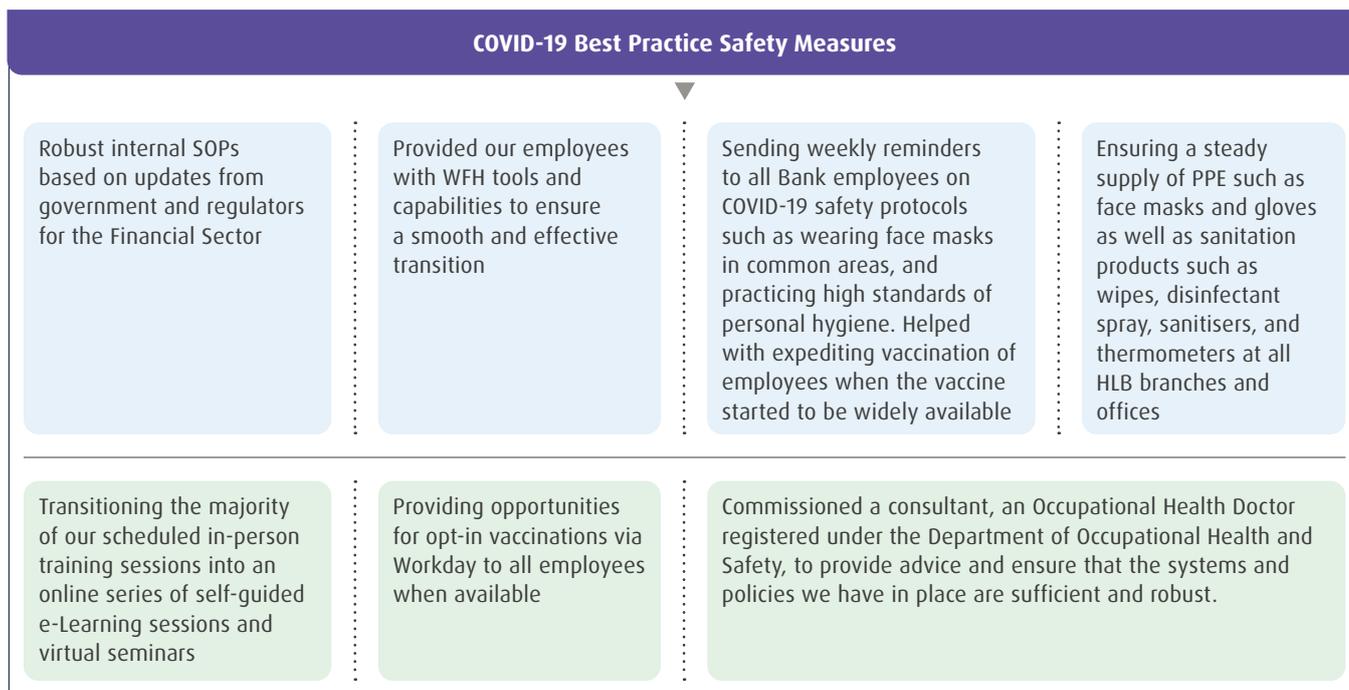
#### Focus Area

Safeguarding Well-being, Health & Safety with focus on mental and emotional resilience

# Workforce Readiness

## RESPONDING TO COVID-19

The Bank is focused on creating a secure and healthy work environment by implementing thoughtful solutions to the challenges faced by our colleagues during the COVID-19 pandemic. To protect the health and safety of our people, we have implemented a variety of measures and protocols.



Our wellness efforts this year centered around supporting our staff in managing life in the pandemic, which is in its second year now. Their physical, emotional and mental well-being is our key focus, and it is with this objective that we launched PlusVibes in April 2021.

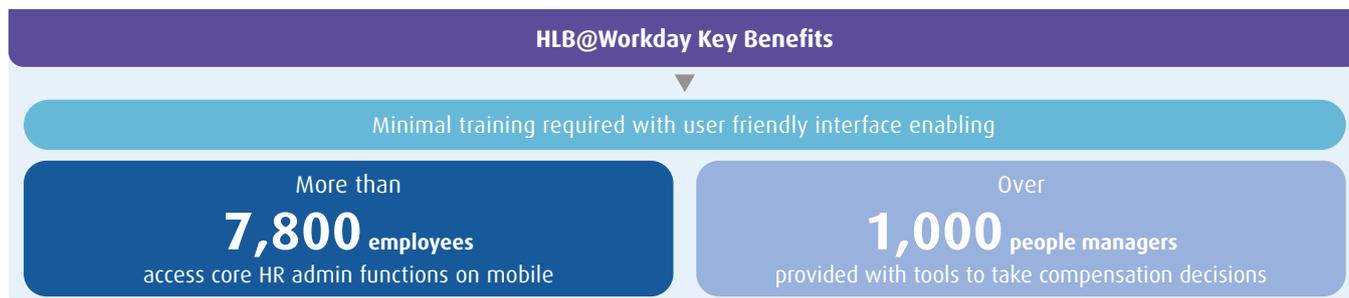
 For more details on PlusVibes, please refer to Employee Well-being, Health and Safety in pg 61.

## WORKPLACE READINESS

As a result of the pandemic, the remote work environment reinforced the importance of our mobile-first strategy in enhancing the employee experience, both in terms of the workplace and the workforce. Our people are able to continue learning skills that will guide them through the pandemic and beyond with the availability of self-served e-Learning courses on HLB@Workday, our people and performance management system.

## DIGITAL WORKPLACE SOLUTIONS

The launch of HLB@Workday in FY2020 marked a significant step forward in our efforts to ensure workplace readiness. Through involving people managers in the initial production and testing stage, they are now able to take ownership of HR practices to build and develop their teams. HLB@Workday enables our people managers and employees to carry out not only administrative functions such as leave application, salary statements and personal information updates, but also professional development processes such as performance management, learning and career development, and compensation decisions on web and mobile.



The success of this platform was demonstrated in its rapid and widespread adoption. Our transition from classroom-based training such as new hire onboarding onto HLB@Workday contributed to 44% increase in training hours. Additionally, the flexibility and user-friendliness of HLB@Workday has encouraged 2,010 employees to voluntarily tap the vast resources available in this app by completing 23,040 non-mandatory e-Learning courses in FY2021. This represents an increase of 350 employees, or an increase of 21.1% from the previous year.

HLB@Workday FY2021 Key Highlights		
<b>Learning &amp; Development</b>	Integration of Learning Experience Platform ("LXP") on web and mobile	'One-click' access from HLB@Workday to over 50,000 e-Learning courses via Disprz, an AI-enabled learning platform for subscribed employees as part of broadened upskilling offerings
	Driving HLB@Workday as e-Learning hub	Disprz and bank-wide e-Learning courses uploaded into HLB@Workday Learning module, creating an e-Learning hub together with mandatory and role-based learning that was transitioned into a virtual format
<b>Performance Management</b>	Refine performance review process for Managers	To add further value to performance review process, managers now provide and capture verbatim feedback to team members in a Manager Evaluation section
<b>Recruitment</b>	Generate custom reporting	HR can now build custom reports to analyse and act upon recruitment data. For example, the Job Application Tracker details candidate applications and sent to relevant stakeholders automatically
<b>Administrative</b>	Collect & Disseminate Data	HR is able to collect and disseminate large amount of data quickly. For example, MySejahtera and vaccination rate surveys enabled HR to determine employees vaccination status and drive vaccination rates

# Workforce Readiness

## DIGITAL TRAINING

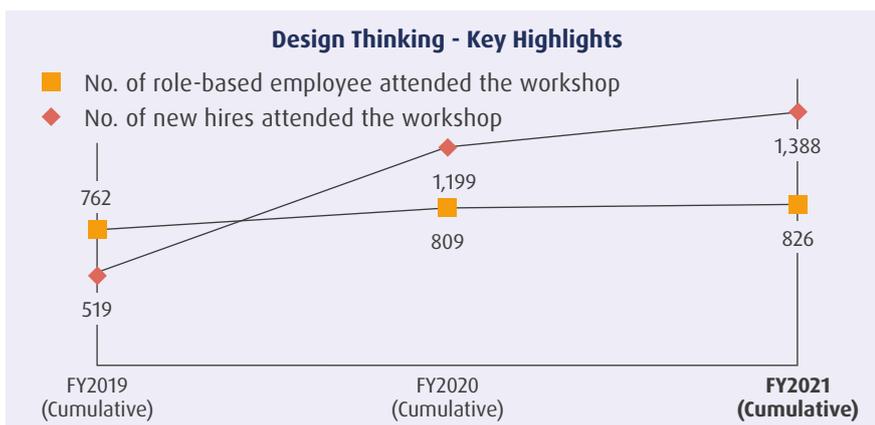
Above and beyond mandatory and role-based learning and in accordance with our 70:20:10 Learning Framework, employees are encouraged to upskill themselves in areas such as business communication and soft skills as part of their life-long learning journey. For example, content produced by our in-house Human Experience Academy is shared bank-wide as part of our free e-Learning courses modules on HLB@Workday. The external e-Learning Topics by Themes refer to the weekly free online learning links curated by HR.



## DESIGN THINKING

Design Thinking is one of HLB’s key focus areas as we work towards becoming an innovation-driven organisation. Employing a human-centered, creative approach to problem solving enables us to improve products and services, and internal processes. The Bank currently employs nine in-house Design Thinking facilitators. All training is done on-site, with more than 2,100 employees trained to date.

The programme counts the HLB Connect Mobile Banking app, HLB Pocket Connect app, Apply@HLB, loan application tracker, remote business client onboarding solution, and HLB ConnectFirst mobile application as just a few of its many accomplishments. The Bank encourages all staff to attend Design Thinking courses to ensure that customer experience remains at the forefront of their minds. These seminars are designed to provide employees with the necessary skills to create innovative solutions to existing problems. In FY2021, 189 new hires and 17 role-based employees received Design Thinking training, bringing the total number of trained new employees to 1,388 since the programme began.



## TESTIMONIALS

“What a wonderful & transformative session! It taught me to organise my thought process to consider all factors before execution which will increase the chances of a successful outcome”

**Alvin Chuang,**  
Manager, FCC

“I learned a user-centric & creative way to approach a problem that focuses on human needs & experience as primary motivating factors. It benefited me in my current project”

**Ian Ng Choon Yu,**  
Executive SME Business Transformation

“I learned creative techniques through templates but more importantly, how to apply these techniques effectively towards problem-solving, ideation & when collaborating with other stakeholders”

**Christopher Luke,**  
Executive Compliance Project Management

SDG  
in  
Focus



# Workforce Readiness

## DEVELOPING OUR WORKFORCE

We believe that nurturing our own talent and constantly helping to facilitate their career growth path within the Bank is a key strategy for us to stay competitive in this fast-changing industry. Our Learning Framework aims to enhance the knowledge, experience and skill sets of our employees by offering them exposure and training across the organisation, in addition to role-specific learning and tailored development programmes to suit different individuals.

## ATTRACTION, RECRUITMENT AND BUILDING OUR TALENT PIPELINE

We seek to attract and develop a talent pipeline that is diverse, inclusive and selected based on merit. Candidates are assessed based on potential, in line with our mission to attract and recruit the best talent available. We continue to look for candidates who possess the entrepreneurial nature to drive for results, the drive to challenge the status quo and suggest better approaches when warranted and the ability to take ownership and make things happen in order to lead change and innovation. HALI continues to be a key tool in our graduate recruitment process and FY2022 will see HALI extended to screen candidates for our Graduate Trainee programmes.

Our university outreach activities continue to gather momentum as we seek to establish perpetual relationships with key academic institutions within Malaysia to build a sustainable talent pipeline. Between November 2020 and April 2021, we hosted six virtual coffee sessions between undergraduates at UCSI University, INTI International University, SEGi University, Monash University Malaysia and our senior management to drive awareness and recruitment for our internships and graduate programmes.

While initial efforts have focused on these key universities, with the availability of job applicant data on HLB@Workday we are now able to analyse the source of applicants and benefit from a measured approach for university outreach activities. This initiative is set to extend to other universities as we move into FY2022. We maintain a consistent dialogue with all key universities by sharing regular updates on our internships, entry level and graduate opportunities as well as through participation in Career and Internship Fairs organised by the universities and colleges.

Our workforce is built by growing talent organically from within, through the graduate programmes and internal movements. This is balanced with talent that we recruit, to create a workforce that is diverse and rich in skills and perspectives. For FY2021, we have filled 27% of vacancies with our people.



# Workforce Readiness

We offer a diverse range of opportunities across our graduate programmes, adding Analytics and Sustainability pathways this year to our roster of Graduate Trainee Programmes to support the Bank’s ambitions. Over the last 5 years, we have hired 273 graduates for our Management Associate (“MA”) and Graduate Trainee (“GT”) programmes. 172 of these candidates have graduated from the programmes and are in permanent roles across the Bank. As we seek to scale our talent pipeline, we are now making efforts to reach out and share our internship opportunities with first and second-year undergraduates in anticipation of their applications for our graduate programmes upon completion of their studies.

Graduate and Internship Programmes - Key Highlights				
	2016-2021 Hires (number)	Permanently Placed (number)	Retention Rate (%)	2022 Target (number)
Management Associates	66	53	80%	25
Graduate Trainees	207	119	58%	138
Internships	399	50	12%	40

“The MA Programme provides good exposure across different business units’ bank-wide. Through the MA Programme I picked up a diverse range of skills such as product creation and management and how to run focus groups.

The most valuable skill I learnt was how to communicate to different groups of people.

This has really helped in my current work as I’ve had to apply this soft skill onto the different contents I’ve helped create for different communication channels and target audiences.”

**Evelyn Wong,**  
**MA Program 2018**  
**Assistant Manager,**  
**Investment Product Marketing & Campaign,**  
**Retail Wealth Management Segment, Personal**  
**Financial Services**

In FY2021, we introduced the 12-month Analytics Graduate Trainee (“AGT”) programme designed for data science and analytics graduates to apply what they have learned in a business environment. A total of 13 graduates have been enrolled in this programme which will be conducted within the Marketing, Communications & Analytics Division.

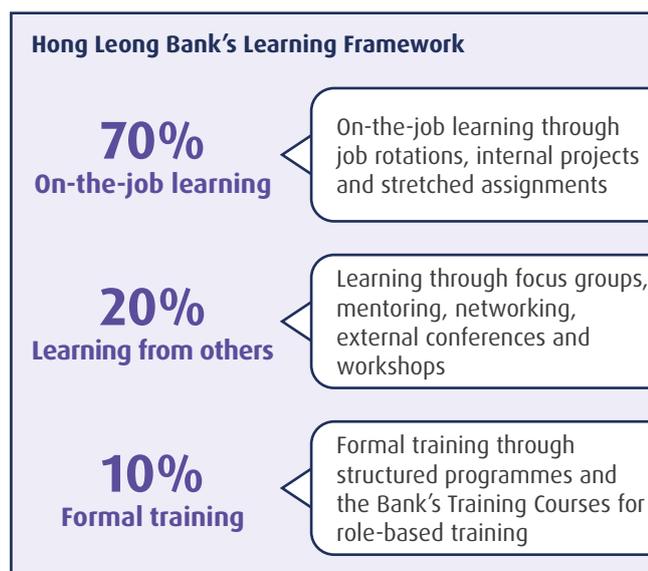
The Analytics GT Programme, together with the IT Executive Programme, adds to our growing range of opportunities for non-banking candidates. 46 candidates have been pipelined into the IT Executive Programme to date, with 8 candidates joining in FY2021.

PROTÉGÉ Programme candidates participate in an 8-month programme to enhance their abilities and knowledge, by familiarising themselves with the internal operations of the Bank. Since 2017, 103 candidates have been pipelined into the programme, with 40 candidates offered a full-time role in the Bank upon completion of the programme.

## LEARNING AND DEVELOPMENT

We are committed to drive learning and development opportunities to continuously develop knowledge and skill sets to create a highly engaged workforce focused on delivering strategic goals, and maintaining high standards of responsibility, professional conduct and behaviour.

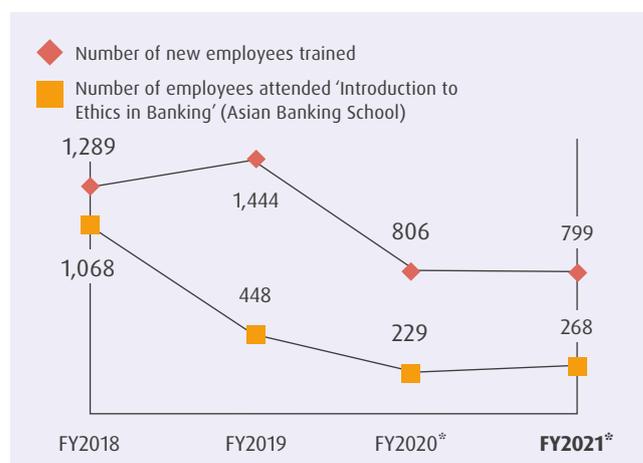
Our learning framework outlined that our employees should acquire 70% of knowledge on-the-job, in addition to 20% of learning from other people and 10% of formal training. We provide the flexibility to our employees to tailor their development pathway, as long as they fulfill a minimum requirement of 5 training days of 8 hours per day in every year. As part of building our employees' digital competencies, we have made it compulsory for them to choose at least 1 day of training through digital offering.



## ONBOARDING PROGRAMME

New employees are required to undergo an onboarding programme within 60 days from their date of commencement with the Bank. The online programme includes a blend of pre-read materials, self-guided e-Learning and virtual classrooms on topics that are fundamental for the Bank's employees. In FY2021, the Bank incorporated sustainability training into our onboarding learning modules to raise awareness and understanding of ESG issues across the organisation.

The Bank endeavours to instil the fundamental principles of ethical banking for new employees into the organisation. To this end, we have partnered with the Asian Banking School to ensure our employees with less than two years' working experience attend the Ethics in Banking programme.



\* Recorded reductions due to the reduction in employee attrition

## BANK-WIDE TRAINING



## Sustainability Training (Bank-wide)

The Bank is committed to delivering long lasting ESG and VBI solutions that contribute to a better future for all. To achieve this, we have begun to drive training, both bank-wide and role-based on sustainability topics.

Our bank-wide sustainability training has covered more than 5,000 employees for monthly thematic huddles in 2020 and over 6,000 employees in FY2021. Sustainability is now a key topic in our onboarding sessions for new hires and effective February 2021, we have trained 279 new employees on Sustainability. Additionally, we have conducted two Virtual Brown Bag Lunch & Learn Sessions attended by 143 employees.

# Workforce Readiness

## Brown Bag ‘Lunch & Learn’ Series

The Brown Bag ‘Lunch & Learn’ series was created to provide employees an opportunity to learn in a casual environment. Since 2017, 6,995 employees have attended 46 Brown Bag ‘Lunch & Learn’ sessions. For FY2021, we continue to focus on health, mental and emotional well-being with the inclusion of sustainability.



\* FY2020 and FY2021 was impacted by Malaysia’s MCO and restrictions from COVID-19

## ROLE-BASED TRAINING

### Sustainability Training (Role-based)

In FY2021, an in-house session was conducted for the Board of Directors and Senior Management on 30th July 2020, attended by 7 Directors and 12 Senior Management personnel. The primary focus of the session was to equip them on how to embark on strategic sustainability engagement in driving the Bank’s ESG agenda. These sessions focusing on sustainability provide our Directors and Senior Management with relevant knowledge to stay updated on current sustainability issues that are relevant to our business.

Further to this, our BCB Division worked closely with the Jeffrey Sachs Centre on Sustainable Development at Sunway University to develop and roll-out a robust training module for Account Relationship Managers (“ARMs”) and credit risk teams, aligning with BCB ESG Policy & Assessment Framework. Topics covered in the training include climate change impact to business and

consumers, E&S themes such as waste management, examples on incorporating sustainable practices in a company and a walk-through of BCB ESG Policy & Assessment Framework and the due diligence screening process. 12 capacity building sessions were conducted from June to October 2020, covering approximately 400 ARMs and credit evaluation managers.

We also conducted ESG refreshers every 2 months for ARMs, to ensure they are familiar with performing customer level ESG due diligence.

### Coaching for Performance

The HLB Coaching for Performance Workshops are critical for junior employees to interact with Senior Managers in order to obtain learning opportunities and assistance for future success. Branch Managers (“BMs”) and Customer Service Operations Managers (“CSOMs”) attend these seminars, where they learn about the coaching process, 1:1 coaching skills, and the art of facilitating organised discussions to achieve common goals.

To date, more than 900 people managers have attended the Coaching for Performance workshops including 200 BMs and CSOMs in FY2021. There were substantial gains in branch performance, franchise development, customer experience, and staff retention as a result of these seminars.

Coaching For Performance was awarded the Silver accolade for ‘Best Soft Skills Training Programme’ Category in the Employee Experience Awards 2021.

### Islamic Finance Training

With a view to facilitating the future growth of Islamic Finance-related business for HLB and HLISB, a comprehensive capacity-building training initiative has been established, with in-house programmes on Shariah and Islamic Finance, delivered by external expert trainers. All employees who work directly or indirectly handling Islamic transactions are mandated to complete our one-day Islamic Finance 2.0 programme. The Bank’s commitment to this programme was renewed for another three years in FY2020. To date, 6,132 employees have completed the programme, including 1,763 employees in FY2021.

## MANAGING OUR TALENT

We place emphasis on developing our existing employees to maintain a pipeline of internal candidates who are ready to fill up roles that become available. To do this, we are constantly encouraging a growth mindset in our employees, always standing ready to upscale themselves, while creating an impact both at work and within the communities. At the Bank, our aim is developing team players that have a clear focus on their responsibilities and are able to adjust to new working settings.

### TALENT MANAGEMENT POLICY

The Bank's talent management policy is aimed at driving individual and business performance by ensuring we have the right people in the right roles through accurate hiring and promotion decisions, and the ability to identify key gaps between the talent in place and the talent required to drive business success. The policy is supported by the following processes:



### PERFORMANCE MANAGEMENT AND INDIVIDUAL DEVELOPMENT

The performance management framework consists of 3 cycles – Goal-setting, Mid-year review, and Year-end review. This requires discussions between our employees and their line managers to agree on the target deliverables, expected standards and corresponding outputs. Each cycle includes an Individual Development Plan (“IDP”) discussion, aimed at identifying an employee’s potential next steps, growth and development, as well as to understand their mid to long-term career aspirations. This allows us to support their career progression within HLB. The attrition rate of people leaving within the first 12 months of joining the Bank has almost halved to 10.6% of total hires in FY2021, from 18.9% in FY2017. This is a result of our employees responding positively to the processes and our managers taking ownership of retaining and nurturing our performing employees bank-wide.

# Workforce Readiness

## TALENT REVIEW AND SUCCESSION PLANNING

Our talent and succession planning framework aims to develop internal talent while also identifying external talent as part of the succession planning process, so as to ensure that we have a pool of candidates appropriate for different roles within the organisation. Throughout the talent and succession process, key stakeholders within the Bank are assigned different roles.



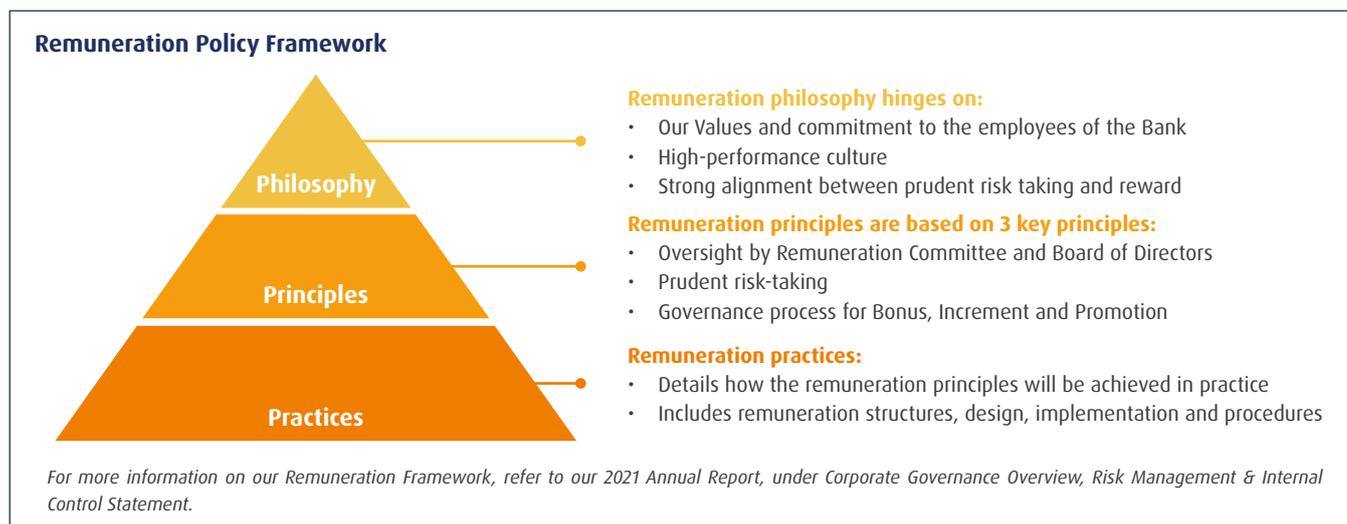
The Bank provides both lateral and vertical career progression pathways – enabling each employee to personalise their career journey at the Bank. Job openings are advertised internally via emails and portals.

As part of the talent review, development and succession planning process, we launched the HLB Leaders Programme to identify and groom potential future leaders of the Bank. The programme consist of three key pillars to develop talent: an Individual Development Plan discussion between the talent, HR and line manager to ascertain goals and development needs; developmental offerings customised to the talent’s requirements; and opportunities for cross-functional networking and collaboration. Participation is for the duration of one year, after which the talent’s continued participation is reviewed by their Line Manager and Head of Division.

## REMUNERATION AND POLICY FRAMEWORK

Our Remuneration Policy Framework is designed to promote a high-performance culture that drives specific behaviours - with employees operating according to strong values, integrity, a clear sense of responsibility and high ethical standards. Underpinned by a rigorous performance management process, remuneration is determined by key performance indicators such as behaviours in accordance with our Code of Conduct and Ethics, risk and compliance, meritocracy in performance, prudent risk-taking, selected ESG performance and HLB values.

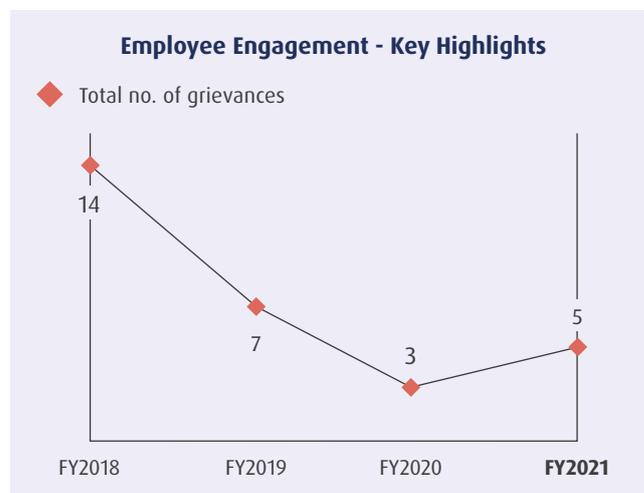
Every senior management officer has a responsibility to embed sustainability in all initiatives in their division. This is linked to performance considerations and, in turn, total remuneration received.



## EMPLOYEE ENGAGEMENT

HLB believes that transparent and frequent communication with our employees is a key contributor towards workplace satisfaction. Our employees' voices are heard and communicated through a variety of platforms. The Google Workspace also connect our employees to one another by providing a collection of cloud computing, productivity and collaborative tools for internal communication and collaboration. These channels allow for group chat, audio and video conferencing and sharing while maintaining stringent data protection standards.

Apart from creating informal platforms for employees to engage, connect and learn, we have also established formal channels for employees to submit work-related concerns or difficulties. Issues that are raised via these platforms are forwarded to the appropriate senior management for resolution. Five grievances and items of concern were raised and resolved in FY2021.



All grievances were addressed and resolved within the FY in which they were reported.

We aim to provide a conducive work environment that genuinely takes into consideration the needs of our employees, regularly reviewing and developing policies to create a workplace supportive of the Bank's mission and values. This year we sought to understand the challenges related to the work arrangements during the movement restrictions. At the end of June 2020, 3,417 employees responded to an online survey aimed at assessing the current work sentiment while evaluating various work arrangement ideas that may be deployed after restrictions are lifted. The findings showed that while flexibility of time and space and hybrid work arrangements are appreciated, an office environment is still important due to the various challenges of working at home.

## EMPLOYEE ENGAGEMENT INITIATIVES

With social-distancing rules and movement restrictions becoming part of our lives in this pandemic, we shifted many employee engagement activities online. These virtual events help us keep the well-being of our colleagues in check, while boosting their morale in this difficult period and enhancing their sense of participation at work.

### 2020

<p><b>July – Dec</b></p> <p>e-Touch Appreciation Campaign</p> 	<p><b>Aug</b></p> <p>Virtual Run</p> 	<p><b>Nov</b></p> <p>International Children's Day Photo Contest</p> 
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### 2021

<p><b>Jan</b></p> <p>Virtual Coffee Chat with Senior Management</p> 	<p><b>Jan – June</b></p> <p>e-Touch Appreciation Campaign</p> 	<p><b>Feb - Apr</b></p> <p>Virtual Game - Among Us</p> 	<p><b>Mar</b></p> <ul style="list-style-type: none"> <li>Virtual Run</li> <li>International Women's Day</li> </ul> 	<p><b>Mar – June</b></p> <p>Virtual Exercise</p> 	<p><b>June</b></p> <p>Virtual Game - Escape Room</p> 
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# Workforce Readiness

## EMPLOYEE BENEFITS

We are responsible for ensuring our employees are holistically supported during their career with us. In addition to compliance to local labour standards and being a signatory of the collective agreement by the Malayan Commercial Banks' Association (MCBA) and the National Union of Bank Employees ("NUBE"), we proactively provide a range of benefits, including leaves and financial support programmes, to our employees as well as their families to promote a healthy work-life balance.

Benefits	Description
 <b>MATERNITY LEAVE</b>	<ul style="list-style-type: none"> <li>• 120 consecutive days of paid maternity leave</li> <li>• Maternity leave benefits also apply in the event of a miscarriage that occurs after 22 weeks of pregnancy</li> <li>• Option to extend leave by up to 60 days on a no-pay basis</li> </ul>
 <b>PATERNITY LEAVE</b>	<ul style="list-style-type: none"> <li>• Paid paternity leave of 5 consecutive working days for firstborn</li> <li>• Paid paternity leave of 3 consecutive working days for each subsequent child for a maximum of 5 surviving children</li> </ul>
 <b>CHILD FRIENDLY FACILITIES</b>	<ul style="list-style-type: none"> <li>• Fully equipped nursing rooms for nursing mothers at both Hong Leong Tower and PJ City Tower A</li> </ul>
 <b>PILGRIMAGE LEAVE</b>	<ul style="list-style-type: none"> <li>• 10 consecutive working days of paid pilgrimage leave for one occasion</li> <li>• Employees are eligible after completing 3 years of service with the Bank</li> </ul>
 <b>STUDY &amp; EXAMINATION LEAVE</b>	<ul style="list-style-type: none"> <li>• 4 days of study leave per calendar year on non-examination days</li> <li>• No cap on examination leave taken on exam days</li> <li>• Only applicable to examinations approved by the Bank</li> </ul>
 <b>SPORTS PARTICIPATION LEAVE</b>	<ul style="list-style-type: none"> <li>• 10 consecutive working days for employees who are participating in national or international sporting events</li> </ul>
 <b>BIRTHDAY APPRECIATION LEAVE</b>	<ul style="list-style-type: none"> <li>• Employees are entitled to 1/2 day of paid leave on their actual date of birth if it falls on a working day.</li> </ul>
 <b>COMPASSIONATE LEAVE</b>	<ul style="list-style-type: none"> <li>• 3 consecutive working days upon death of the employee's spouse, parent, parent-in-law or child</li> <li>• 2 consecutive working days upon the death of an employee's brother, sister or grandparents.</li> </ul>
 <b>HOUSING &amp; CAR LOAN</b>	<ul style="list-style-type: none"> <li>• The Bank provides the Employee Housing Loan and Car Loan Scheme at preferential rates for employees</li> </ul>
 <b>SUNDRY LOAN</b>	<ul style="list-style-type: none"> <li>• All officers, clerical staff, and non-clericals employees are entitled to apply for sundry loan, subject to meeting the stipulated terms and conditions</li> </ul>
 <b>FESTIVAL ADVANCE</b>	<ul style="list-style-type: none"> <li>• Employees at Grade E1 and below, officers, clerical and non-clericals staff are entitled to apply for festival advance, subject to meeting the stipulated terms and conditions</li> </ul>
 <b>EMPLOYEE STUDY AWARD</b>	<ul style="list-style-type: none"> <li>• Employees who have completed 1 year of service with the Bank are eligible to apply for educational financing</li> <li>• Eligible programmes include: Professional Courses Certificate, Diploma, Advance Diploma, Bachelor Degree, and Masters Degree, subject to terms and conditions.</li> </ul>
 <b>HONG LEONG GROUP SCHOLARSHIP AWARD</b>	<p>All permanent Hong Leong Group employees who have:</p> <ol style="list-style-type: none"> <li>1. Served 5 consecutive years within the Hong Leong Group;</li> <li>2. Whose child does not have any scholarship, grant etc from other sources, except for a study loan from the National Higher Education Fund Corporation (PTPTN);</li> <li>3. and whose child is not in the final semester of study is eligible to apply for the Hong Leong Group Scholarship Award once a year.</li> </ol>

## EMPLOYEE WELL-BEING, HEALTH AND SAFETY

Employees who feel valued, respected, and cared for are more likely to be satisfied with their jobs and, as a result, stay with the Bank for a long and fulfilling career. We take a comprehensive approach to caring for our employees and their families, providing support for the mental health, personal safety, and financial stability of all 7,800 of our employees. This holistic focus is in line with our goal to nurture our people into a healthy and supportive workforce.

### WELL-BEING

Our wellness efforts this year are targeted at maintaining the physical, emotional and mental well-being of our people. We developed infographics to keep our colleagues informed on the health crisis and organised virtual workout sessions to help them stay fit. In addition, our ever-popular Brown Bag Lunch & Learn series continued to be held throughout the pandemic.

In April 2021, we introduced PlusVibes, a mobile-first overall wellness platform to help our employees build personal resilience and strength. It is our belief that being socially distanced should never mean socially isolated. All our employees are now able to conveniently access contents on Financials, Family, Leadership, Self-Development and Relationship. The Wheel of Life provides a visual indication to determine areas of life that require attention while offering useful relaxation activities to help employees unwind after work. Should our people decide that a conversation is required, they can chat with a qualified counselor through the mobile app or browse through the associations list provided and seek further help if needed.

### HEALTH AND SAFETY

Employees' health and safety is a key priority for the Bank. To ensure compliance with all applicable standards and laws, we have put in place a robust set of Occupational Health and Safety Procedures. New employees are trained to identify and minimise risks after being introduced to the Bank's health and safety systems and processes. The health and safety initiatives at HLB and HLISB are based on a framework that identifies and eliminates safety hazards that are directly connected to variables under the Bank's control. As a result of these efforts, we were able to reduce the loss of workdays to 740, and cap the number of workplace accidents to 8 in FY2021.

	FY2018	FY2019	FY2020	FY2021
Absenteeism rate	20.96%	28.57%	17.30%	<b>15.96%</b>
Accidents with fatalities	NIL	NIL	NIL	<b>NIL</b>
Total no. of days lost due to accidents in and outside of workplace	988	1,311	799	<b>740</b>
Total no. of accidents in the workplace	2	5	5	<b>8</b>

# Workforce Readiness

## DIVERSE AND INCLUSIVE WORKFORCE

Diversity of culture and gender strengthens businesses, stimulates more diverse ideas, and leads to more effective and innovative solutions. Our Code of Conduct lays the foundation for creating a safe and inclusive workplace that is free of discrimination. Our goal is to set our employees up for success in their careers, regardless of their demography, age, background, or other indicators of diversity.

## SUPPORTING DIVERSITY AND INCLUSIVITY

### Striking a Balance between Diversity, Inclusion and Merit

All HR practices across the Bank are conducted using a meritocratic approach, including processes such as recruitment, remuneration, training and development. Our Code of Conduct explicitly prohibits all forms of identity-based discrimination, including all forms of discrimination based on race, nationality, citizenship status, creed, religion, age, gender, maternity, marital status, or physical disability.

As a testament to our beliefs, we ensure that job applications are balanced and representative of the larger pool of workforce talent available for hiring in the labour market. Our internships, Protégé, GT and MA Programmes are degree-agnostic, providing candidates from different academic backgrounds with equal opportunities. In addition, candidates are evaluated objectively based on merit and potential as they go through the selection process. These efforts work towards the Bank's goal of creating a diverse workforce rich in skills and thought by reaching out to a larger talent pool.

### Supporting Our Employees

The Bank does its utmost in being inclusive to all our employees who may have various needs in terms of working arrangements. Where feasible, we prioritise allowing high-risk groups such as pregnant and nursing mothers, employees with underlying health issues, and those with high-risk dependents to work from home in light of on-going split operations.

In addition, union employees covered by the Malayan Commercial Banks Association and the Association of Bank Officers, Peninsular Malaysia's Collective Agreement are entitled to a disability care subsidy, as described below:

#### Disability Care Subsidy

An amount of RM100.00 monthly per family will be paid as Disability Care Subsidy if a confirmed officer has a disabled spouse, child and/or children subject to the following:

- The disability (OKU) must be certified by relevant government authority.
- The spouse, child and/or children with disability is not gainfully employed.
- The disabled child's age does not exceed 18 years old.
- The above payment shall not apply if banks have similar benefit schemes unless the amount payable is less than what is stated in the Collective Agreement.

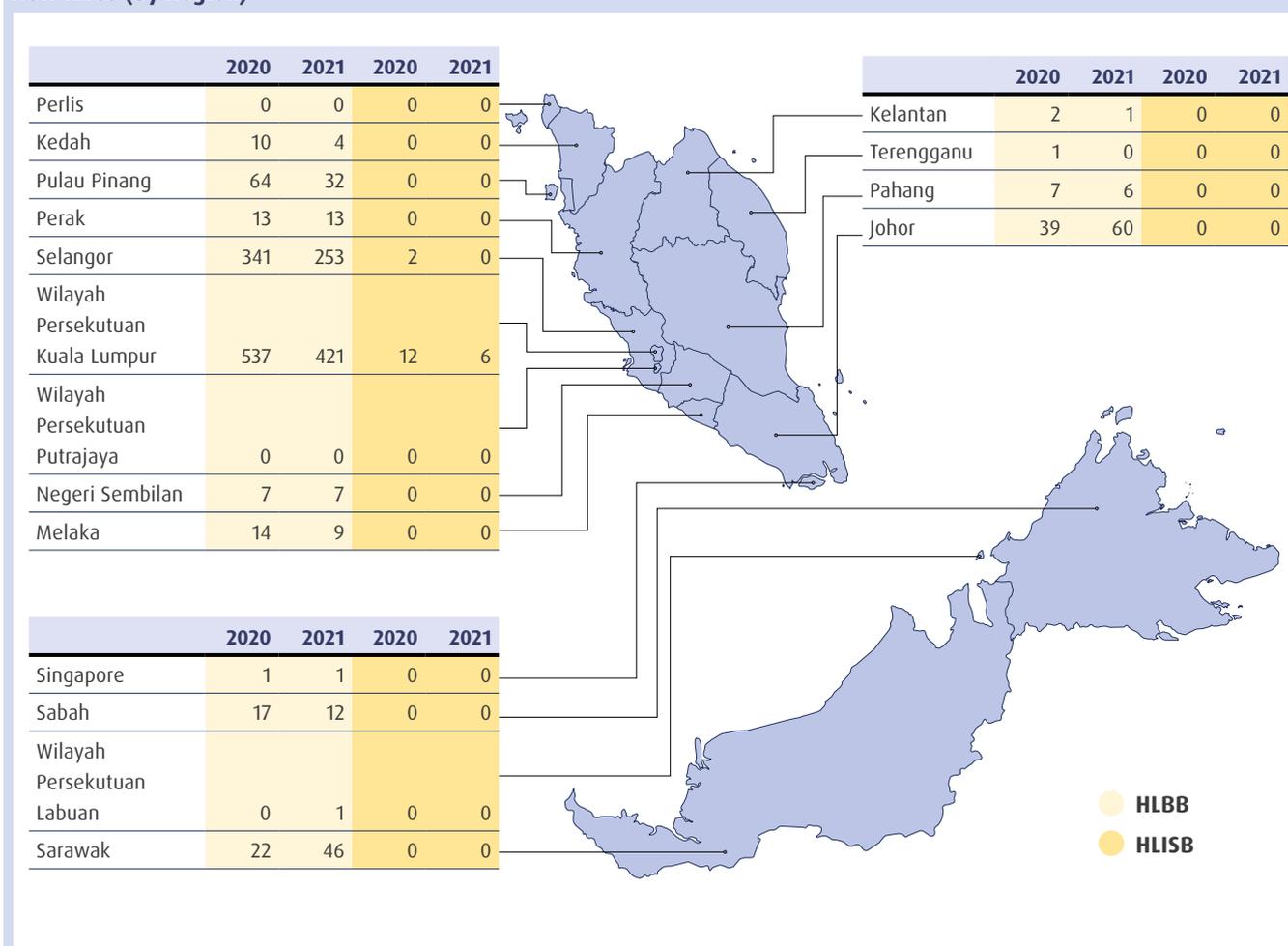
## PERFORMANCE DATA

	HLBB		HLISB						
Financial Year	2020	2021	2020	2021					
Total No. of Employees	7,933	7,659	157	144					
<b>Total No. of Employees by Contract</b>									
<b>Permanent</b>	7,810	7,510	155	141					
♂ Male	2,877	2,767	74	64					
♀ Female	4,933	4,743	81	77					
<b>Temporary</b>	123	149	2	3					
♂ Male	77	83	1	1					
♀ Female	46	66	1	2					
<b>Total No. of Employees by Employee Category</b>									
	HLBB		HLISB			HLBB		HLISB	
Financial Year	2020	2021	2020	2021	Financial Year	2020	2021	2020	2021
<b>Senior Manager</b>	257	256	17	17	<b>Manager</b>	2,036	1,993	50	47
♂ Male	156	152	11	10	♂ Male	864	839	26	23
♀ Female	101	104	6	7	♀ Female	1,172	1,154	24	24
< 30 years old	0	0	0	0	< 30 years old	40	42	0	0
30 - 50 years old	175	167	14	14	30 - 50 years old	1,697	1,649	43	39
> 50 years old	82	89	3	3	> 50 years old	299	302	7	8
	HLBB		HLISB			HLBB		HLISB	
Financial Year	2020	2021	2020	2021	Financial Year	2020	2021	2020	2021
<b>Executive</b>	3,989	3,910	63	57	<b>Non-Executive</b>	1,651	1,500	27	23
♂ Male	1,372	1,349	26	24	♂ Male	562	510	12	8
♀ Female	2,617	2,561	37	33	♀ Female	1,089	990	15	15
< 30 years old	1,408	1,358	24	24	< 30 years old	1	1	0	0
30 - 50 years old	2,381	2,370	36	31	30 - 50 years old	1,427	1,284	24	23
> 50 years old	200	182	3	2	> 50 years old	223	215	3	0

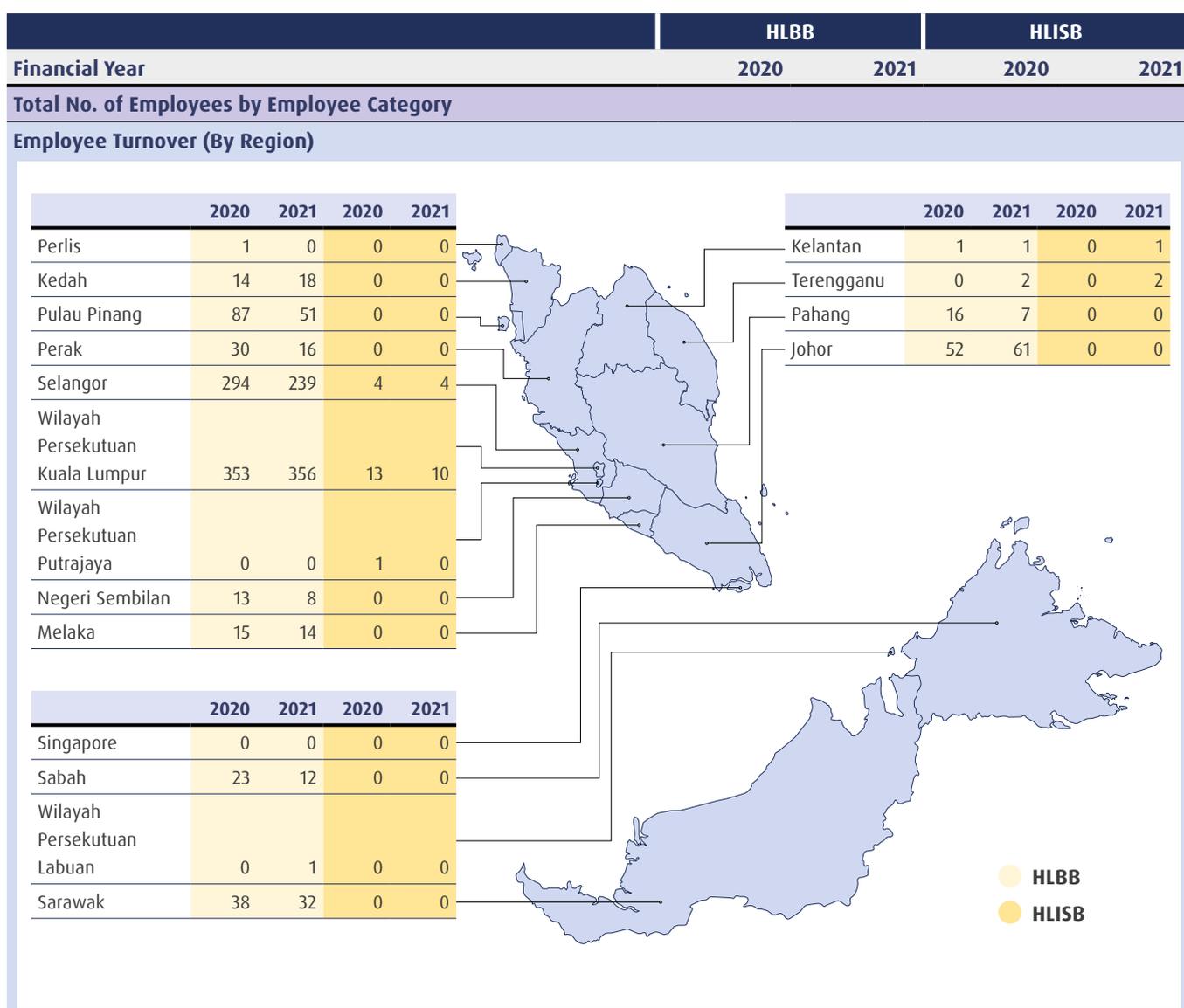
# Workforce Readiness

Financial Year	HLBB		HLISB	
	2020	2021	2020	2021
<b>Total No. of Employees by Employee Category</b>				
<b>New Hires</b>	1,075	866	14	6
♂ Male	503	395	7	4
♀ Female	572	471	7	2
< 30 years old	649	542	9	5
30 - 50 years old	408	313	5	1
> 50 years old	18	11	0	0

## New Hires (By Region)



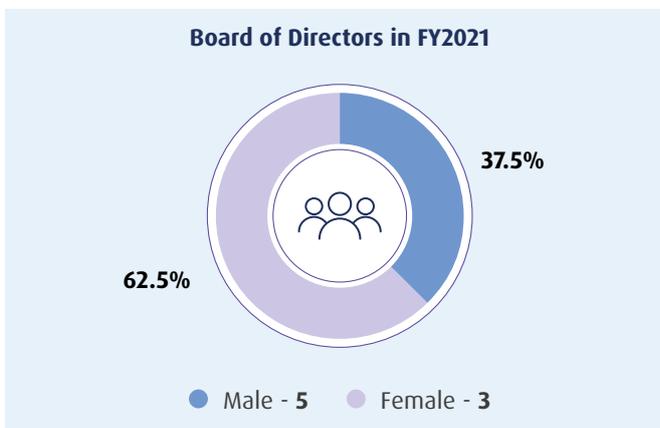
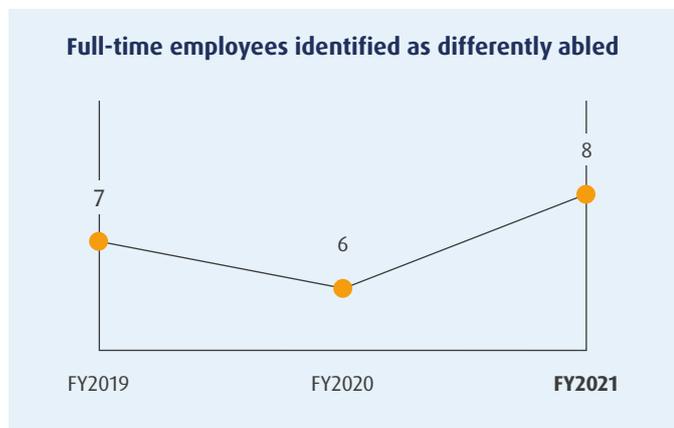
<b>Employee Turnover</b>	937	818	18	17
♂ Male	408	368	7	9
♀ Female	529	450	11	8
< 30 years old	395	342	2	5
30 - 50 years old	506	444	16	11
> 50 years old	36	32	0	1



FY2021	Classroom Training (including Virtual Instructor-Led Training)				E-Learning (HLB@Workday)			
	Hours	Avg Hours (Per Staff)	Days	Avg Days (Per Staff)	Hours	Avg Hours (Per Staff)	Days	Avg Days (Per Staff)
Senior Management (M1 and above)	20,450	74.9	2,556	9.4	1,405	5.1	176	0.6
Middle Management (M5 to M2)	146,187	71.7	18,273	9.0	25,667	12.6	3,208	1.6
Executive (E4 to E2)	226,822	57.2	28,353	7.1	38,494	9.7	4,812	1.2
Non-Executive (Clerical, Non-clerical, Officer)	68,232	44.8	8,529	5.6	14,206	9.3	1,776	1.2

# Workforce Readiness

## DIVERSITY AND INCLUSIVITY PERFORMANCE DATA



## KEY HIGHLIGHTS IN FY2021



Developed and approved our

### ESG Policy & Assessment framework



Conducted

**2** Sustainability Roundtables with our customers



Over **400** BCB ARMs participated in our ESG capacity building workshops



**4,215** training hours completed for the mandatory e-learning course on Fair Treatment of Financial Consumers.



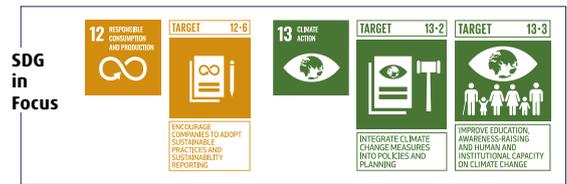
Developed our

### Sustainable Procurement Framework

and conducted a pilot assessment on selected vendors

# SOCIALLY RESPONSIBLE BUSINESS

# Socially Responsible Business



As a financial services provider, we are cognisant of our responsibilities in helping businesses and consumers move to more sustainable business models and practices. The global shift to a lower carbon footprint to mitigate the climate change effects on the planet demands sustainable banking activities and practices, highlighting the importance of taking ESG risks and VBI considerations into our day-to-day operations and lending and financing activities as we actively participate in transition towards sustainable business models. Managing the transition and emerging risks effectively are thus key strategic imperatives over coming years.

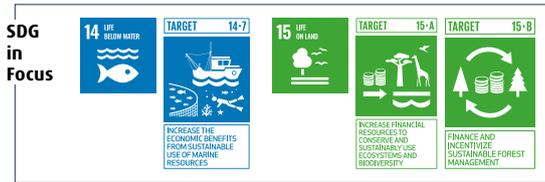
As a socially responsible bank, we also continue to strengthen ‘fairness’ in our products and services to ensure our customers are treated fairly, justly and responsibly. Additionally, we have started working with our business partners and suppliers to ensure that they are on board with our overarching sustainability agenda. We assess our suppliers against ESG criteria and encourage them to adopt sustainable business practices. Moving forward, we are on track to introduce the Wealth Management Services ESG Framework, which we have developed to ensure that we consider ESG risks in the wealth management products that we distribute to our customers such as mutual funds, unit trusts, bonds and equity products. This framework will be in place by late 2021.

## BCB’S APPROACH TO ESG

Our BCB ESG Policy and Assessment Framework which aligns with our Socially Responsible Business theme adopts an inclusionary approach that focuses on supporting our customers in the E&S high risk sectors transition to a lower-carbon economy and more sustainable business practices.

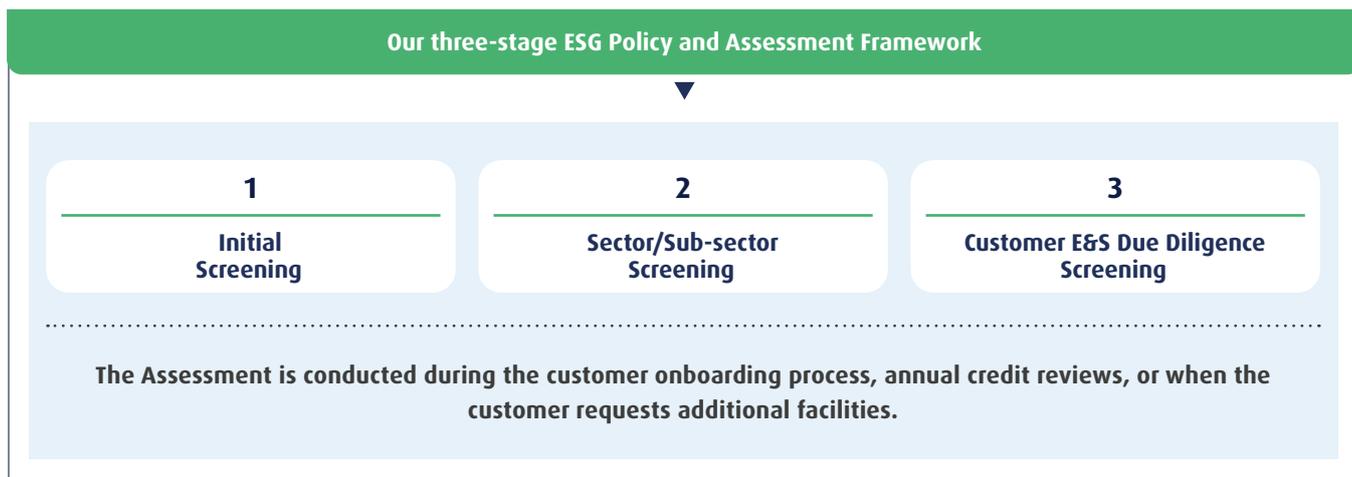
In developing our BCB ESG Policy and Assessment Framework, we are guided by international and national frameworks and standards such as the UN SDGs, Value-based Intermediation Financing and Investment Impact Assessment Framework (“VBIAF”), BNM Climate Change & Principle-based Taxonomy (“CCPT”) guidance paper and IFC Performance Standards.





## BCB ESG POLICY & ASSESSMENT FRAMEWORK

During the FY2021, we embedded the BCB ESG Policy & Assessment Framework within our BCB Credit Policy, to improve the Bank's assessment of and control over ESG lending and financing risks. Approved by the Sustainability Committee and the Board, the ESG policy will guide our ARMs and credit risk teams in their efforts to evaluate the E&S risks associated with our lending and financing activities as well as provide insights into risks associated with customer change in our lending/financing portfolios.



### INITIAL SCREENING

The initial screening (first ESG assessment) is used to determine if the customer's business operations fall in HLB's general exclusions list. Our Framework Exclusion List has been created in accordance with BNM's guiding principle 5: Prohibited Activities. Upon completing the initial screening, customers that do not fall under our general exclusion list will then proceed to our sector/sub-sector screening stage.

**HLB ESG Framework Exclusion List<sup>1</sup>**

- ⊗ Involvement in money laundering, crime, terrorism or illegal activities (e.g. illegal waste management, illegal deforestation, etc.).
- ⊗ Involvement in pornography, prostitution
- ⊗ Production or trade in military weapons or firearms.
- ⊗ Involvement in forced labour, exploitation of children and human trafficking.
- ⊗ Activities resulting in significant conversion or degradation of any high biodiversity value areas<sup>2</sup>.
- ⊗ Operations which use fire for land clearance or preparation of land<sup>3</sup>.
- ⊗ Fishing activities using drift nets or explosives.
- ⊗ Financing of any greenfield coal-fired power plants<sup>4</sup> beginning 1<sup>st</sup> July, 2021 and financing of all coal-fired power plants effective 1<sup>st</sup> July, 2026.

1. HLIBS will also adhere to the exclusions in the Shariah Compliance Policy as per the current practices.  
 2. Areas designated by law or relevant competent authority to serve the purpose of nature protection, unless the business activity is carried out in compliance with the National and / or State Biodiversity Legislation.  
 3. Use of fire for land clearance or preparation of land shall be avoided except in specific situations, such as obtaining the necessary authority approvals.  
 4. This includes purchasing bonds/sukuk to finance any green field coal-fired power plants.

# Socially Responsible Business

## SECTOR/SUB-SECTOR SCREENING

The sector/sub-sector screening stage assesses if businesses fall under the high E&S risk sectors. If a business is classified under HLB’s high E&S risk sectors, they will be subject to further assessment under the enhanced E&S due diligence. Businesses that do not fall under the sensitive sectors will proceed to the BAU credit assessment process. The table below outlines the 8 sensitive sectors that will require an enhanced E&S due diligence based on our internal E&S Risk Assessment Framework.

Sensitive sectors that will require an E&S due diligence screening			
 <b>Forestry</b>	 <b>Metals &amp; Mining/ Quarrying icon</b>	 <b>Non-renewable energy</b>	 <b>Palm Oil</b>
 <b>Agriculture</b>	 <b>Fisheries</b>	 <b>Selected Manufacturing</b>	 <b>Recycling &amp; Waste Treatment</b>

## SECTOR GUIDELINES

To support our customers in the high E&S risk sectors towards better ESG practices, we have created a set of sector guidelines, utilised by our ARMs as a guide in conducting an E&S due diligence screening.

Currently, we have developed sector guidelines covering four sectors – forestry, metals and mining as well as quarrying, non-renewable energy and palm oil. In developing these sector guidelines, we engaged with a variety of stakeholders to ensure that it is current with emerging ESG issues and industry best practices, as well as to understand the government’s direction for the various sectors.

Stakeholders Engaged in Developing our Sector Guidelines		
 <b>Forestry Sector</b>	 <b>Palm Oil Sector</b>	 <b>Metals and Mining Sector</b>
<b>Malaysian Timber Certification Council (“MTCC”) and Forest Stewardship Council (“FSC”)</b>	<b>Roundtable on Sustainable Palm Oil (“RSPO”), Malaysian Palm Oil Certification Council (“MPOCC”), and Malaysian Palm Oil Board (“MPOB”)</b>	<b>Department of Minerals and Geoscience</b>

We also engaged with our in-house specialists to guide us on the non-renewable energy sector. This aided us in comprehending sector-specific issues, industry sustainability adoption, and government objectives.

By end of FY2022, the ESG Policy & Assessment Framework will also include four new sector-specific guidelines for financing and lending activities in Agriculture, Fisheries, Selected Manufacturing as well as Recycling and Waste Treatment sectors.

## ENHANCED E&S DUE DILIGENCE

Our ARMs use the ESG checklist to document our customer E&S due diligence screening. The screening is conducted by identifying and familiarising with the company’s potential E&S risk as well as understanding the company’s current sustainable or mitigation plans to address these risks. Based on the assessment, each customer would then be assigned with an ESG rating.

The E&S criteria are guided by national and international policies, standards and frameworks, such as:

- Bank Negara Malaysia (BNM) Climate Change & Principle-based Taxonomy (CCPT)
- Bursa Malaysia Sustainability Reporting Guide, 2nd Edition
- CDC Investment Works ESG toolkits
- Environmental Quality (Industrial Effluent) Regulations 2009
- Environment Quality Act (Clean Air) Regulations 2014
- First for Sustainability: E&S Risk
- Global Reporting Initiative (“GRI”)
- IFC Performance Standard
- MSPO Standards
- RSPO Principles
- Task Force on Climate-related Financial Disclosures (“TCFD”)

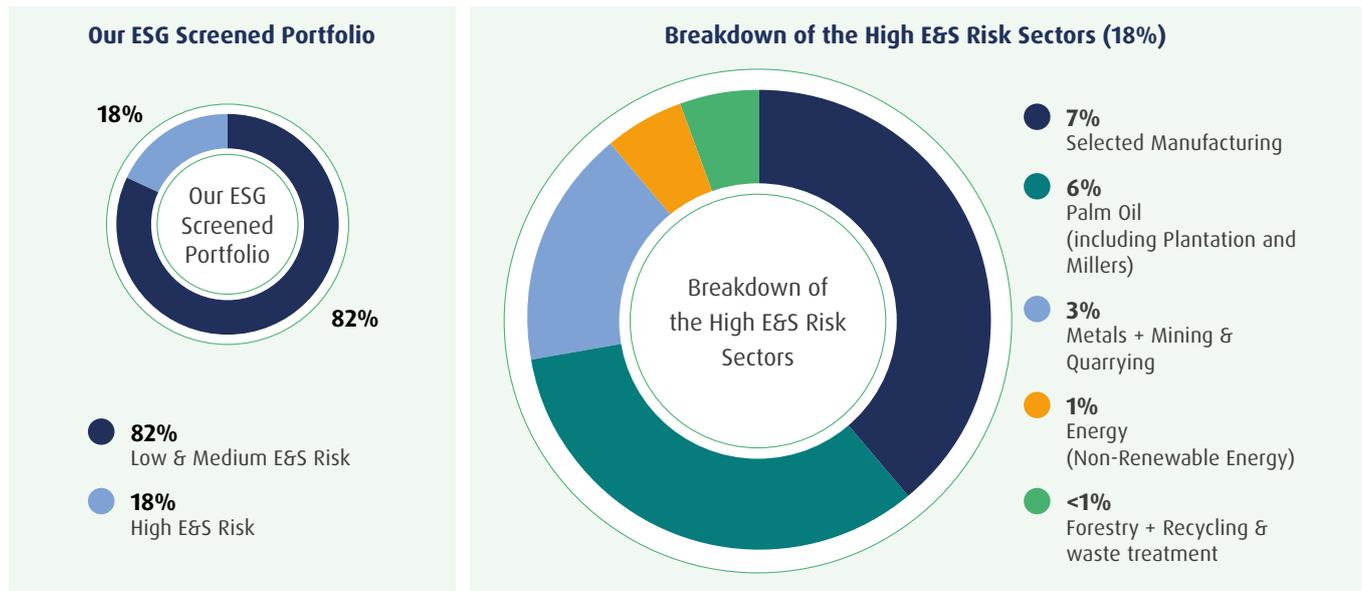
Customers classified as high risk will be encouraged to undergo mitigation plans to address the residual E&S risks in their business activities. The progress is then reviewed during the next annual review or when they request for additional facilities to determine whether progress has been made against prior mitigation plans and the customer can be reassigned a better ESG rating, or whether further engagement is required to ensure future improvements are aligned to our original mitigation timeline.

E&S criteria to derive industry E&S risk rating			
 <p><b>Toxic materials emissions</b></p>	 <p><b>GHG emissions</b></p>	 <p><b>Other air pollutants e.g. CFC, soot, etc.</b></p>	 <p><b>Effluent monitoring &amp; control</b></p>
 <p><b>Hazardous waste, non-hazardous waste</b></p>	 <p><b>Loss of habitat, decline in flora or fauna</b></p>	 <p><b>Land contamination or land erosion</b></p>	 <p><b>Energy use efficiency</b></p>
 <p><b>Water use efficiency</b></p>	 <p><b>Human rights &amp; labour working conditions</b></p>	 <p><b>Indigenous people, local communities &amp; culture heritage</b></p>	 <p><b>Land acquisition &amp; involuntary resettlement</b></p>

# Socially Responsible Business

Using the ESG Policy and Assessment Framework, we analysed the environmental and social risk profile of our business loans and financing portfolio in FY2021.

Through this assessment, which started in January 2021, we have identified 18% of our business loans/financing portfolio to fall in the high E&S risk sectors.



We have completed screening for approximately 45% of the high E&S risk sectors as of June 2021. In addition, the outcome from this screening showed that approximately half of our customers from the high E&S risk sectors were eligible to be transitioned to a medium or low risk rating through evidence of their E&S business practices.

Rating	Criteria	%
High	Maintain risk rating, no visible or nascent E&S practices	48
Medium	Moderate E&S practices in operations (e.g. visible internal company policies addressing key E&S risks)	37
Low/ Low+	Advanced, possessing either visible internationally / domestically recognized certification or E&S practices	15

## INTERNAL CAPACITY BUILDING PROGRAMME

In FY2021, we rolled out an internal capacity building programme aligned with the ESG Policy and Assessment Framework, in line with our vision to inculcate an ESG-embedded culture among our employees. In collaboration with the Jeffrey Sachs Center on Sustainable Development at Sunway University, HLB developed and delivered a comprehensive training module for our customer coverage and credit risk teams. Between June to October 2020, 12 capacity building sessions were held, attended by over 400 ARMs and credit evaluation managers. This initiative resulted in a total of 63 hours of training.

 To learn more about our Sustainability Training, please refer to Workforce Readiness at pg 55.

## ESG CUSTOMER ENGAGEMENT

We aim to assist our customers to not only embrace and integrate ESG considerations into their business plans and operations, but also innovate and convert their sustainability risks into opportunities. As part of our efforts to raise awareness and inspire change among our SMEs and corporate customers, as well as seize opportunities in sustainability and build their ESG readiness, we launched the 'Sustainability Roundtable' series in FY2021.

We hosted our first virtual 'Sustainability Roundtable' on 3<sup>rd</sup> February 2021, to engage with our SME and corporate customers that are embarking on sustainability journeys within their own companies. This platform aims to promote awareness on sustainability best practices, as well as discuss the issues faced by numerous companies as they move towards embedding sustainability in their business models.

We have held two virtual roundtable talks thus far and our upcoming roundtable series will include discussion topics on various sectors such as palm oil, renewable energy (biogas), waste management and manufacturing of chemicals.

Sustainability Roundtable in FY2021			
 <h3>Plastics Manufacturing</h3>		 <h3>Renewable Energy (Solar)</h3>	
<b>Date held</b>	<b>Number of attendees</b>	<b>Date held</b>	<b>Number of attendees</b>
3 Feb 2021	Around 90 attendees	9 June 2021	Around 340 livestream views
<b>Topics</b> Topics discussed include the roadmap towards zero single-use plastics by 2030, recent developments on the circular economy for plastics in Malaysia, as well as the industry's approach towards operationalising sustainability in businesses.		<b>Topics</b> Topics discussed include National policies to promote adoption of RE and incentives available to support green investments for businesses as well as corporate experience of adopting solar as a cost efficiency and sustainability pillar.	

# Socially Responsible Business

## VALUE-BASED INTERMEDIATION (VBI) FOR ISLAMIC BANKING

HLISB strives to ensure that our approach to embedding VBI principles achieve the intended outcomes of Shariah (“Maqasid Shariah”) of preserving wealth, faith, lives, posterity and intellect. We take proactive effort to build internal frameworks and infrastructure necessary to embed the VBI philosophy in our operations, as we see opportunities for HLISB to build a brand name in this sphere. As we progress towards embracing VBI, we monitor our initiatives based on three key aspects: economic resiliency, social empowerment and good governance and best conduct.

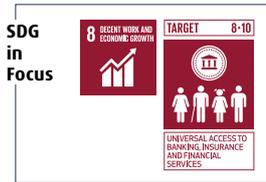
HLISB’s Progress in Adopting Value-based Intermediation		
<p><b>Economic Resiliency</b></p> <ul style="list-style-type: none"> <li>• Launched the ASNB e-Channel Services in FY2021</li> <li>• Enabled customers to pay Zakat online</li> <li>• Continued to support SMEs through Shariah compliant financing schemes</li> <li>• Increased our financing to support renewable energy projects</li> </ul>	<p><b>Social Empowerment</b></p> <ul style="list-style-type: none"> <li>• Conducted Program Celik Muamalat to improve Islamic financial literacy</li> <li>• Conducted Shariah and Islamic Finance courses among employees</li> <li>• Updated our HLISB Website to include Shariah-related knowledge</li> <li>• Provided pandemic prevention resources to indigenous communities via HLISB Turun Padang initiative</li> </ul>	<p><b>Good Governance &amp; Best Conduct</b></p> <ul style="list-style-type: none"> <li>• Instilled Shariah compliance culture among our employees through IFIQ certification</li> </ul>

 **A dedicated team to oversee and coordinate the implementation of VBI principles**

- 01**  
Drafting a VBI framework
- 02**  
Monthly updates on VBI initiatives
- 03**  
Consistent creation of VBI-specific content for the Bank’s Google Workspace platform
- 04**  
Enhancing access to knowledge and promoting Islamic banking and financial literacy

In FY2021, we stepped up our public education efforts of Islamic money and financial management via the ‘Program Celik Muamalat’ lecture series. We engaged with 100 undergraduates from public universities via a virtual speaking session held on 11th June 2021. Following this engagement, we intend to use research collaborations with local institutions to enhance public awareness of Shariah. For more details on our Program Celik Muamalat, please refer to pg 103.

Moving forward, HLISB aims to incorporate VBI concepts into product development and design to guarantee that we provide solutions that are more conscious of sustainability from a Shariah standpoint. We aspire to achieve the ‘Emerging VBI Institution’ status, where HLISB will have in place a set of clear and succinct VBI practices in its day-to-day activities.



# Socially Responsible Business

## FAIR BANKING

As part of our brand promise “Built Around You”, the Bank is committed to ensuring we provide full transparency of our products and services and treat customers fairly in everything we offer and do. To that effect, we have enhanced the Bank’s Customer Charter to account for the changes to customer expectations, regulatory requirements and to ensure that it is in simple to understand language.

The Bank implemented a Board Policy on Products and Value Proposition which embeds the Fair Banking and Sustainability as core principles. In everything we do, the Bank continues to ensure that we treat customers fairly and adhere to environmentally sustainable business practices.

The Bank has also adopted a Product Transparency and Disclosure Policy which lays out the basic principles for developing a uniform and comprehensive disclosure system to create greater transparency surrounding the Bank’s business operations. Its primary purpose is to assist the Bank in upholding appropriate internal product management governance and clearly lay out the timing, content, and means of information disclosure.

One of the key objectives of the policy is to ensure there is adequate diligence done to proactively assess risk, protect customers interests, ensure customers have transparency about the product/service and their risks and benefits while ensuring compliance to fair treatment best practices and regulatory requirements. In addition, the Bank uses the Products and Value Proposition Committee (“PVPC”) to assist in the execution of the Policy. The PVPC was created to examine, support, and evaluate the value propositions of new business initiatives that are targeted for launch by the Bank in the near future as well as periodically review existing products and services to ensure continued best practices are incorporated and adhered to.

### Fair Banking: Responding to Regulators

BNM issued a directive to all Islamic banks in August 2019 requiring them to ensure that the late payment penalties (“LPCs”) they were charging were proportionate to the actual expenses or losses incurred. HLISB provided the mechanism for computing LPCs for overdue and defaulted financing in FY2020 and FY2021 to satisfy BNM’s concerns. The calculations concluded that HLISB is fair and abides by BNM’s Late Payment Charges for Islamic Financial Institutions Guidelines.

## FAIR TREATMENT FOR FINANCIAL CONSUMERS

In FY2020, we expanded our internal policies to incorporate the newly issued Bank Negara Malaysia’s Fair Treatment of Financial Consumers (“FTFC”) Policy into our operations and Customer Service Charter. This made our existing policy even stronger as it explicitly called out for the relevant aspects of the new regulatory requirements to promote higher standards of fair, responsible and professional conduct when dealing with our customers.

The FTFC Policy, which is now fully adopted by the Bank is made up of six principles, including Corporate Culture, Fair Terms, Disclosure, Fair Dealing, Advice & Recommendation, and Redress. It outlines expectations for financial service providers to successfully manage fair practices and provide financial consumers with a sense of confidence in their dealings. Five of the six principles were implemented in FY2020. The fair terms in contracts with financial consumers principle was implemented in FY2021.

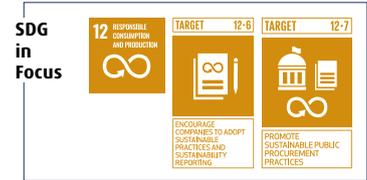
Prior to the refresh of the Customer Service Charter, an FTFC Compliance month was held to help familiarise employees with the new policy during which employees were also re-introduced to the revised Customer Service Charter.

In FY2021, we introduced a mandatory e-Learning module on the subject, completed by 8,430 permanent and contract employees. Additionally, we also organised a monthly huddle session on the topic, which was attended by 1,100 employees.

### Understanding Risk Appetite

We maintain a mandatory risk assessment for investing customers to analyse each customer’s unique risk appetite and financial expertise, as part of our commitment to the responsible selling of financial services. This information guides our recommendations and ensures that our customers have the knowledge they need to make decisions that are right for them.

# Socially Responsible Business



## SUSTAINABLE SUPPLY CHAIN

The Bank's commitment to sustainable business practices extends across our entire value chain. We strive to create a fair, sustainable, responsible, and ethical approach to procuring and delivering goods and services. To that end, we create meaningful partnerships with our suppliers and vendors.

## SUSTAINABLE PROCUREMENT FRAMEWORK



In FY2021, we reviewed and updated our Procurement Policy to embed sustainability and integrate an ESG Assessment. The framework establishes guidelines for the development of commercial partnerships with suppliers that meet our sustainability standards. It includes rules for supplier screening and evaluation, as well as tools to provide assistance and guidance to vendors to improve their ESG risk mitigation and disclosure.

During the screening process, suppliers and vendors must self-declare their environmental and social responsibility plan. Suppliers and vendors are likewise informed of the provisions of our whistleblowing policy at several points during the procurement and purchase process, ensuring their ability to report improper behaviour.



Our supplier Code of Conduct and Statement on Sustainable Practices for Business Partners, as well as other policies relating to our procurement operations, are available on our corporate website.

## Procurement ESG Policy – Sustainable Assessment

### 1 ESG Assessment

Vendors are invited to fill out an ESG questionnaire, which requires them to address the four key principles of the Procurement ESG Policy.

### 2 Due Diligence

Prior to classifying vendors based on their ESG score attained, the Bank conducts sustainability due diligence on the information provided in the questionnaire as well as other information available to the Bank.

### 3 Assist & Monitor

Vendors that do not satisfy ESG criteria will be given an ESG toolkit and be subjected to regular monitoring to ensure that appropriate sustainability measures and strategies remain in place to yield expected outcomes.

### 4 Termination/ Renewal

Vendors that fail to meet the Bank's ESG standards will go through a Vendor Sustainability Development Journey in order to identify their gaps and help them set their goals and action plans to improve on their sustainable business practices. If they fail to achieve this in the timeline agreed with the vendor, the Bank will consider terminating their services.

Moving forward, we will be performing sustainability assessments on all vendors of the Bank and monitor all vendors who require the implementation of sustainability improvement plans as well as those that already comply to ensure that they continue to remain so.

## Key Highlights in our Sustainable Procurement Implementation

Pilot sustainability assessment performed for selected vendors with contract value **>RM500k**

**56.5%** of the selected suppliers' scores were within the Best-in-Class category

As part of our commitment to building our local communities, we also undertake social procurement from the social enterprises onboarded on our HLB Jumpstart platform.

To learn more about our ongoing social purchase, refer to Community Investment at pg 101.

## KEY HIGHLIGHTS IN FY2021



Approved

**RM 22.3** billion  
in pandemic relief assistance  
for over 97,000 retail, SME and  
corporate customers.



Supported customers through our

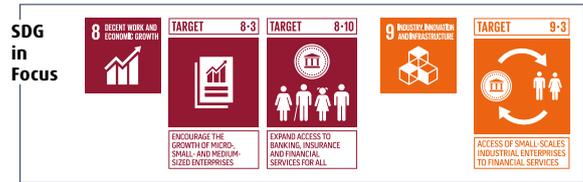
**Flood Relief  
Assistance  
programme**



**243 SMEs**  
were onboarded and supported  
through iStart@HLB

FINANCIAL  
INCLUSION  
&  
EMPOWERMENT

# Financial Inclusion & Empowerment



Financial inclusion is at the heart of our efforts to create sustainable, long-term value for the communities we serve. We take a thoughtful approach towards expanding our services, ensuring that they meet the needs of every customer, including the underserved groups. The pandemic has highlighted the importance of this aspect of our business as there has been significant impact on the livelihoods of many, with the most burden felt by the less fortunate segments of the society.

## SUPPORTING OUR CUSTOMERS DURING THE PANDEMIC

The increasing severity of the COVID-19 economic consequences are affecting many of our customers and we believe that it is our responsibility to assist them as they cope with these difficulties. By offering various relief programmes tailored to our customers’ specific needs, the Bank has been actively assisting its individual, SME and corporate customers to overcome the economic effects of the pandemic and build resiliency so that the recovery can begin as soon as the effects of the pandemic begin to fade.

### PAYMENT RELIEF ASSISTANCE PLANS (“PRAP”)

**Key Highlights of PRAP**

Approved over **98%** of our customers’ applications since rolling out the PRAP.

---

Extended relief assistance to over **20,000 customers** from the B40 community, totalling to RM 2 billion.

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Supported **1,300 SMEs** through an approved RM 4.4 billion in payment relief assistance.

Following the expiry of the six-month auto moratorium in September 2020, we launched the targeted PRAP to continue our efforts to assist our customers who were affected by the pandemic. We took proactive measures to digitalise the application process for PRAP to ensure that the financial relief is distributed to customers in a timely and efficient manner under the programme. The PRAP assists customers with loan and financing restructuring, payment deferrals, and loan installment reductions while also providing business loans and financing to customers who intend to expand their business and digitise their operations.

In addition, we supported our customers by waiving multiple fees including interbank transfer fees, stamp duties and late charges for customers who caught up on their late payments. The Bank also went the extra mile by absorbing principal shortfalls from

initiatives such as the Car Surrender Programme. These efforts to help our customers collectively provided a total savings amounting to RM93.3 million.

A total of RM22.3 billion was approved under the PRAP as relief assistance assisting over 97,000 retail and corporate customers.

**Payment Relief Assistance for Credit Card Holders**

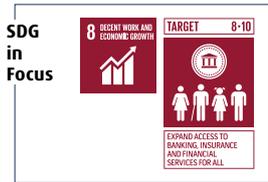
**Credit Card Conversion Relief Plan**

HLB Credit Cardholders were able to convert their outstanding balance into a term loan with the option to opt-in for 36-months instalment plan at an effective interest rate of 13%p.a.

### FLOOD RELIEF ASSISTANCE PROGRAMME

In January 2021, floods hit several states in Malaysia, causing even more hardship to the people who were already facing the ravages of the COVID-19 pandemic. HLB and HLISB acted immediately and without hesitation by mobilising a Flood Relief Assistance programme to ease the burden of those who were affected. They were offered a six-month payment deferment for all loan and financing obligations. Existing SME and commercial customers were also given additional funding to help them keep their business going.

The Flood Relief Assistance was also offered to customers who were already receiving assistance via the Bank’s PRAP. In addition, the Bank provided free replacements for debit and credit cards as well as bank-related papers such as cheques and bank statements that were damaged or lost as a result of the flooding.



# Financial Inclusion & Empowerment

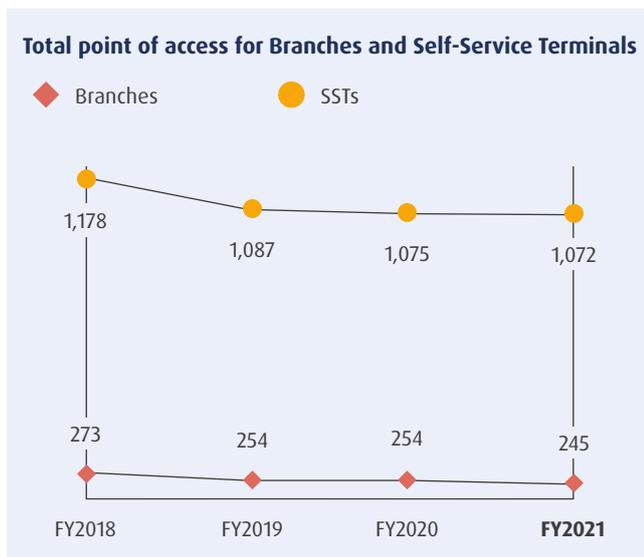
## ENABLING ACCESS TO FINANCIAL SERVICES

In an age where digital penetration is increasing across all segments of our society, we strive to leverage technology to promote financial accessibility. We believe that robust digitisation efforts make banking and financial services more available and accessible to underserved communities, regardless of their geographic location or socioeconomic status. Concurrently, we have also developed targeted initiatives to ensure that we address the needs of specific segments of the community, such as the visually-impaired and low-income communities, in a thorough and comprehensive manner.

For more details on our digitalisation efforts, please refer to the Digital at the Core chapter on pg. 35.

## MAINTAINING OUR PHYSICAL PRESENCE

Digitalisation plays a key role in our efforts to promote financial accessibility, but we remain mindful of the need to ensure that physical banking infrastructure remains available to those who require it. We continue to maintain a number of branch offices and SSTs across the country to ensure that our customers have the ability to access our financial products and services through the channels that work best for them, whether in-person or online.



## MAINTAINING BRANCH SAFETY

The safety of our customers and employees remained our chief concern as we continue to provide in-person banking services via our branches throughout the pandemic. SSTs remained open, and they are regularly sanitised as part of our efforts to improve public safety. When necessary, we revised our physical branch operating hours and temporarily suspended operations in selected branches.

Furthermore, we followed all national safety protocols that had been put in place by the authorities. We developed the following list of health and safety SOPs as part of these efforts:

- Temperature scans and ensuring everyone scanned their MySejahtera app when entering the building.
- Provided hand sanitisers.
- Enforcing social distancing guidelines by limiting the number of customers within branch premises at any given time.
- Priority service for senior citizens, pregnant women and persons with disabilities.

## SUPPORTING THE VISUALLY IMPAIRED

Our commitment to delivering the best has been all-inclusive, with service and facilities even for the visually impaired community. This was most evident when HLB stepped forward to become the first banking institution in Malaysia to provide accessible SSTs with speech capabilities for our visually impaired customers. The HLB Talking Automated Teller Machines (“ATMs”), which include a braille keypad and a headphone socket, guide visually challenged customers through transactions. By using personal headphones, they will hear instructions in one of three languages - Malay, English or Mandarin.

HLB Talking ATMs have been installed in Brickfields, KL and Pulau Tikus, Penang, where the Society of the Blind, Malaysia operates. These ATMs were designed with the help of visually challenged workers, demonstrating the Bank’s dedication to a customer-centric approach to product design and delivery.

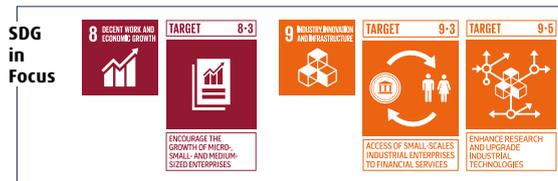
In FY2021, we launched a financial literacy initiative for them under our ‘HLB DuitSmart’ platform to further empower the local visually impaired community.

For more details on the financial literacy initiative, please refer to the DuitSmart section on pg. 103.

## SUPPORTING LOW-INCOME GROUPS

Supporting low-income groups and contributing towards the socioeconomic well-being of our communities is central to our duties as a socially responsible financial institution. With efforts such as Skim Rumah Pertamaku, which targets underprivileged first-time homebuyers in urban areas, HLB continues to provide socially responsible banking services to these communities.

# Financial Inclusion & Empowerment



## EMPOWERING SMES

As a key driver of economic growth and employment, SMEs are an important component of our economy, but financial obstacles have hampered their progress towards business growth. HLB and HLISB believe in doing our part to support the financing of SMEs through tailored products, payment collection solutions, and mentoring programmes, which are crucial to their growth and economic contribution to the nation.

To keep SMEs informed about HLB’s efforts and incentives, we organise webinars and use social media channels to convey information about our loan/financing products and digital business solutions. In FY2021, we continued to focus and enhance HLB LaunchPad and iStart@HLB, our key programmes targeted at SMEs and social entrepreneurs.

In addition, we are engaged in the High-Tech Facility – National Investment Aspiration (HTF-NIA), which offers funding to high-tech and innovation-driven SMEs that are best aligned with the NIA’s long-term development goals. Through participating in this initiative, we are looking forward to supporting SMEs in achieving the overarching developmental objectives to strengthen Malaysia’s competitive positioning in the global value chains, preserve the supply chain ecosystem and safeguard high-skilled jobs.

### iSTART@HLB

HLB is reaching out to all SMEs – especially underrepresented entrepreneurs and start-ups – through strategic collaborations with partners such as Cradle and Malaysia Global Innovation & Creativity Centre (“MaGIC”) via iStart@HLB as part of our ongoing commitment to assist and engage with SMEs in Malaysia. We aspire to be their chosen partners by providing them with complete SME business solutions via our iStart@HLB platform.

**iStart@HLB Offers Total SME Solutions by Providing Access to**

Digital business tools that simplify SME business needs across administration, marketplace, and logistics.

Banking facilities, such as Business Current Account, micro-financing, POS terminal and end-to-end payment gateway solution as well as e-payroll solutions.

Coworking and event space, Jumpstart@65, for ideation, product pitching, and experimentation sessions.

In FY2021, we enhanced iStart@HLB webpage to enable our SME customers to schedule appointments online for their Business Current Account application. Additionally, we also partnered with Food Market Hub, our HLB Launchpad winner, to offer food and beverage (“F&B”) SME owners with a one-stop solution.

In FY2021, we had 243 SMEs who onboarded through this initiative.

## HLB LAUNCHPAD

HLB LaunchPad is a mentorship programme implemented in collaboration with our ecosystem partners, such as MBAN, Cradle, Malaysia Digital Economy Corporation (“MDEC”), PitchIn and MaGIC. The programme aims to nurture young Malaysian entrepreneurs and foster partnership with the emerging generation of Financial Technology (“FinTechs”) practitioners and other tech-savvy startups. It serves as a platform to identify high potential startups whom HLB can partner with to go-to-market, build new capabilities or expand into new markets and customer segments.

Finalists of the HLB LaunchPad programme are given the opportunity to participate in a 6-month pilot programme with the Bank. During this period, various teams within the Bank come together and work closely with the startups to design, plan and roll out their initiatives. If the pilot project is successful and they meet the objective, we are likely to scale up the partnership with a full-scale commercial engagement.

Since the inception of the programme, our senior management team has invested over 1,500 hours to coach and mentor these start-ups, with 20% of the alumni still working with HLB commercially today. Additionally, for their ventures, 80% of the alumni have raised public and private funding (Seed to Series A), and many have expanded their business footprints across the country through this platform.

### REBOOT: THRIVING TOGETHER IN THE NEW NORMAL

The Bank initiated the first HLB LaunchPad programme back in 2017 and has since executed the programme three times, including in 2018 and most recently in 2020. In our 2020 HLB LaunchPad programme, we sought startups in the FinTech and Technology space to take on the challenge of co-creating innovative solutions with the Bank to help Malaysians thrive in what is now the ‘new norm’ with the theme of “Reboot: Thriving Together in the New Normal”.

The Bank recognises how the COVID-19 pandemic has fundamentally changed many aspects of Malaysians’ lives, including our customers – from the way we live, work, shop and bank. Hence, HLB LaunchPad 2020 focused on seeking Digital, Adaptable and Sustainable solutions with over 15 problem statements identified. Problem statements including digitalising and simplifying customer journeys, creating new financial services experiences, and helping business customers find new ways to grow digitally.

Our programme saw over 80 applications from start-ups across multiple industries, including artificial intelligence (“AI”), payments, e-commerce and financial literacy. We are now working closely on the pilot projects with our three start-up winners to address food security, the gig economy, and e-waste management.

#### Startup Winners in HLB LaunchPad 2020

##### Food Market Hub



A farm-to-table food ecosystem that uses predictive analytics and AI to forecast demand as a mean to increase food security and reduce food waste in the country.

##### Pay:Watch



Partners with employers and banks to provide gig workers with instant access to their earned wages without having to wait for payday.

##### ERTH (e-Waste Recycling Through Heroes)



Recycles electronic waste by buying end-of-life personal electronics such as personal computers (“PC”), laptops, smartphones.

Moving forward, HLB intends to expand the Launchpad programme to develop a more inclusive ecosystem that not only focuses on start-ups in the FinTech space but also other partners, such as social enterprises and ESG-focused companies.

# Financial Inclusion & Empowerment

## JUMPSTART@65

The Bank launched our Jumpstart@65 hub in February 2020, a five-storey building in Jalan Tun H.S.Lee which was previously HLB's very first branch in Kuala Lumpur. It aims to:-

- 1 **Inspire** the community by teaching them purposeful life and digital skills
- 2 **Co-Create** innovative solutions for the Community, for the Bank and for the Hong Leong Group
- 3 **Build** a network of people to co-create, collaborate and empower

Run by HLB's Digital Innovation Office, Jumpstart@65 is a community facility in Jalan Tun H.S. Lee, Kuala Lumpur. The newly renovated space includes a

cafe, co-working spaces, three customer usability labs, and a community centre, as well as serves as a networking platform that connects HLB employees to social enterprises, who will in turn co-create innovative solutions to address community issues.

Equipped with state-of-the-art tools like eye-tracking technology and 3D printing etc., this is a place where our employees are able to observe and participate in customer immersion sessions like focus groups, ethnographic studies, customer-bank employee co-creation sessions, as well as experiencing first-hand how customers interact with any new experience we create as part of the concept and usability testing sessions. It also aims to rejuvenate the community in KL, by bringing forth the local community there to help them and also work with them to address their challenges.



Amidst the pandemic in FY2021, the space was utilised to conduct events both physically and virtually.

### Events organised in Jumpstart@65 in FY2021



**Jumpstart@65** has spearheaded number of activities to drive HLB's sustainability agenda impacting over

**1,000+**

HLB employees and Community members

**4 co-creation sessions**

conducted with customers

**2 public webinar events:**

- Leveraging AI in data strategies
- COVID-19 market trends.

**5 student training sessions**

as part of Hong Leong Foundation's Roar Skills Programme:

- Digital skills and financial literacy

**2 community workshops:**

- Sustainable Cooking
- Trauma-informed workshop for front liners involved in child abuse cases

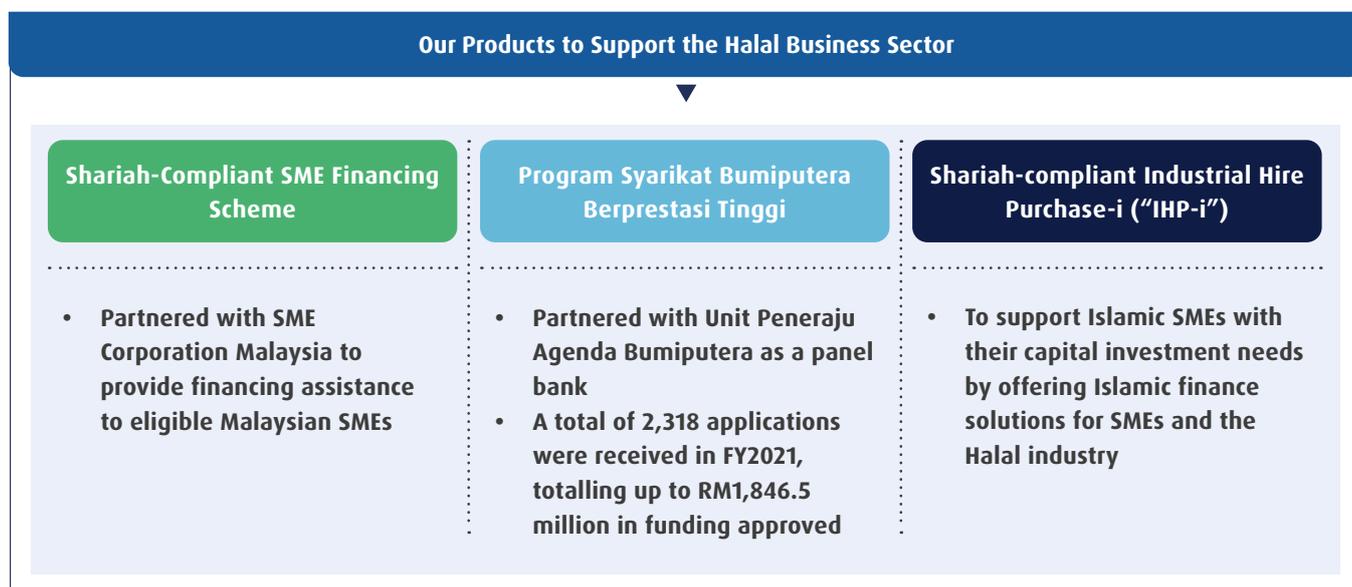
## COMMUNITY BUSINESS MANAGERS

HLB believes that it is part of our responsibility to support the development of SMEs, especially those situated in economically disadvantaged or rural areas. To that end, HLB has deployed Community Business Managers (“CBM”) trained in SME banking solutions throughout our network to help local SMEs gain access to capital.



## EXPANDING ISLAMIC BANKING OPPORTUNITIES IN THE SME MARKET

In our efforts to be all-encompassing, we are committed to providing a wide range of financing options for SMEs in the Halal sector. This includes Islamic banking solutions to help Bumiputera SMEs obtain access to finance as part of our efforts to boost the SME sector.



We strive to provide our customers in the Halal sector with a high standard of service by adhering to an industry guidebook created to educate our staff about Halal business, certification processes, and general financing standards. Moving forward, we will continue to build our expertise in this field through targeted capacity building initiatives.

## KEY HIGHLIGHTS FY2021



Approved over  
**RM1.4** billion  
worth of financing to support  
RE projects



Around **6,000** employees  
attended our Sustainability Month  
huddles in 2021



Introduced a reduction target of  
**15% -25%** by 2026 and  
**40% -50%** by 2031 for  
Scope 1 and 2 emissions



Approved our  
Environmental Policy on Energy,  
Water and Waste Management



Expanded our  
Greenhouse Gas ("GHG") emissions  
monitoring across our  
Malaysian operations



Disclosed our  
Scope 3 emissions



Embarked on a  
mangrove tree planting initiative  
as a carbon sequestration ecosystem

# ADDRESSING CLIMATE IMPACT

# Addressing Climate Impact

As a key player in the financial services industry, HLB believes that we have a significant role to play in supporting the local and global push for a financial system that addresses the ongoing climate crisis. Financial institutions are increasingly expected to align their business plans and portfolios with policies that minimise climate effect, as governments speed up efforts to integrate climate change concerns into the national policy agenda.

## POSITIVELY IMPACTING CLIMATE RESILIENCE

We recognise that financial institutions are well-positioned to facilitate the promotion of economic sectors that are more closely connected with lower carbon emissions and better climate-related impacts. Therefore, we are committed to developing a range of innovative and sustainable solutions to support our customers in greener sectors. We are also simultaneously focusing on reducing our operational impact by maximising resource efficiency, aided by digitisation strategies, across our business.

## CLIMATE-RELATED DISCLOSURES

The Bank took guidance from the Task Force on Climate-related Financial Disclosure (“TCFD”) in addressing such disclosures. The TCFD recommendations are structured around four thematic areas that represent the core elements of how an organisation operates: governance, strategy, risk management and metrics and targets.

These four overarching areas guided the Bank in providing context and suggestions for implementing the recommended disclosures as stated in the sub-headers below. The Bank will progressively continue to enhance and evolve our climate-related disclosures over the years to come.

### Governance

- The ESG risks of the bank are overseen by the Board of Directors (including the BRMC) and Senior Management, who oversee all strategic measures and are responsible for implementing sustainability initiatives across the Bank.
- The Sustainability Committee (SC) and Sustainability Working Committee (SWC) are responsible for, respectively, steering and executing the Bank’s sustainability strategies. The Sustainability Department is responsible for the coordination and monitoring of the Bank’s sustainability efforts while the Sustainability Risk function in Group Risk Management reviews and validates the progress of the initiatives and the risks thereof from a second line of defense perspective.

## Strategy

- We take a value chain-based approach towards operationalising our climate resilience measures across the Bank’s business. The Bank has developed frameworks and policies that incorporate climate and environmental considerations into our business strategies. For an overview of these frameworks and the successes we have achieved in embedding climate resilience, please refer to the sections below:

### Climate Resilient Measures Across Our Value Chain in FY2021

#### Our Suppliers

- Established a Sustainable Procurement Framework. Please refer to pg80, for more info

#### Our Operations

- Developed a Greenhouse Gas Emission Framework. Please refer to pg96, for more info
- Reviewed and approved our Environmental Policy on Energy, Water and Waste Management. Please refer to pg95, for more info
- Introduced a Sustainability Risk Management component to complement the Risk Management Framework of the Bank. Please refer to pg30, for more info
- First in market to advance capital market depth by securitising ‘sustainable’ consumer finance receivables

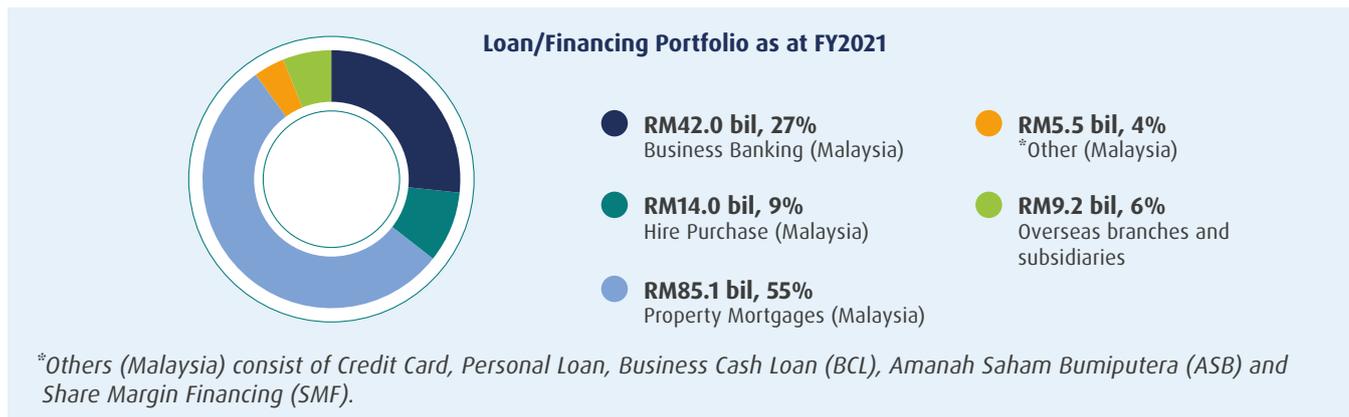
#### Our Customers

- Actively financed Green Technology Financing Scheme (“GTFS”) projects. Please refer to pg93, for more info
- Introduced a Developer End Financing Framework. Please refer to pg94, for more info
- Developing a Green Car Financing Framework. Please refer to pg94, for more info
- Developed and implemented BCB ESG Policy and Assessment Framework. Please refer to pg73, for more info

# Addressing Climate Impact

## Our Portfolio Exposure

The Bank's loan/financing portfolio stood at a total of RM155.8bil in FY2021. Out of which, 91% of our total loan/financing portfolio are from three (3) main portfolios of our banking business in Malaysia, namely Business Banking (27%), Property Mortgages (55%), and Hire Purchase (9%).



## Business Banking Disclosures

- Based on BCB division's internal classifications of the exposures that are linked to higher E&S risk sectors, about half are related to the Palm Oil sector and the Rubber & Plastic Products (250 accounts, 56%, RM 1.34 bil).
- The top 10 customers make up for about 19% of Higher Risk E&S exposures.
- The Bank has also considered the concentration risk of ESG exposure in the recent 1H21 stress test exercise, where the impact was an additional 2% charge (low concentration level) on the Bank's Risk Weighted Assets (RWA) of the business banking portfolio. This resultant impact was not material, partly due to the highly diversified loan/financing base with small discreet exposures, with the largest loan accounting for less than 0.5% of BCB loan/financing base.
- As BCB is in their data collection phase, a more accurate baseline E&S risk profile of the BCB Portfolio will be available in FY2023.

 For more details on our BCB ESG Policy & Assessment Framework, please refer to page 73.

## Property Mortgages Disclosures

- Developer End Financing, which involves the Bank in providing end-financing to buyers of specific property in development projects, plays a significant part in the Bank's underwriting of new property mortgages. As such, the Bank has a Developer End Financing Policy that seeks to review property development projects for the various factors and risks involved in the provision of end-financing.
- The Developer End Financing Policy was enhanced in January 2021 to outline a set of internal ESG criteria which serves as a guidance for empaneling of property developers' developmental projects for purposes of end-financing considerations.
- Development projects will be assessed based on the developers' adherence to the ESG standards and certifications. Scores achieved will determine the risk profile in relation to ESG i.e., low, medium or high risk.
- 189 projects were assessed since the implementation of the framework in January 2021.

 For more details on our Developer End Financing Framework, please refer to page 94.

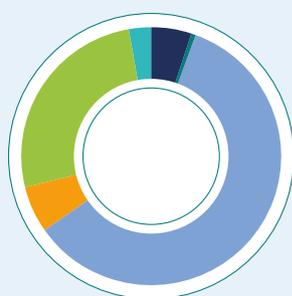
## Hire Purchase Disclosures

- Efforts to promote more green car financing has been established. The Bank offers customers competitive loan rates on new green car purchases, as well as fast-track one-day approvals through our Green Lane for priority credit evaluation.
- It is observed that the Bank's market share in new hybrid and electric vehicles (EV) cars is increasing.

### The Bank's Market Share for New Hybrid and EV cars (%)

Calendar Year 2019	Calendar Year 2021
6%	9%

- In FY2021, the Bank's Hybrid Vehicle Financing had risen to 1,089 units (+37%) from 793 units in FY2020. Hybrid vehicles make up 2.75% of the total of 39,476 vehicles financed.



2,035 units  
Van

2,381 units  
MPVs

200 units  
Commercial vehicles and others

10,223 units  
4x4, SUV, Pickups

23,548 units  
Passenger Vehicles

1,089 units  
Hybrid Vehicles



For more details our Green Car Financing Framework, please refer to page 94.

## Energy, Efficiency & Conservation (EE&C) Measures Disclosures

- The Bank has EE&C initiatives in place to drive building efficiencies and reduce carbon emissions for the Bank's Malaysian operations including premises owned by the bank.
- Some initiatives include upgrading of chiller systems to variable speed types which can lower energy costs and further reduce carbon footprint, re-lamping to LED light fittings in the PJ City Tower A office complex and installation of Auto Condenser Tube Cleaning System for Chiller.
- In FY2021, there was a decrease in the electricity consumed by both our towers compared to FY2020 levels. Our electricity consumption for PJ City Tower showed a 7% decrease compared to FY2019 baseline levels.



For more details, please refer to page 96.

## Risk Management

- The Bank has embedded ESG risk (including climate change risk) into our overall enterprise wide Risk Management Framework in the form of the Sustainability Risk Governance Framework.



For more details, please refer to page 31.

- Our Sustainability Risk Governance Framework addresses the ESG risks that may arise as we implement our corporate strategy, policies and initiatives across the Bank.
- ESG risk factors have been incorporated into the Bank's policies and procedures, such as the BCB Credit Board Policy, Board Policy on Products and Value Propositions, Policy on Product Transparency and Disclosure, Project End Financing Management Policy, and Investment Management Policy which are overseen by the Board and/or Management Committees.
- The BCB ESG Policy and Assessment Framework is being used to guide the Bank in analysing and onboarding corporate and SME customers.
- The Bank has identified its General Exclusion List to define whether customers fall within the "high" risk sectors.
- The Bank has taken measures to cease any financing of green field coal-fired power plants effective 1 July 2021 and to cease new financing of all coal-fired power plants effective 1 July 2026.

# Addressing Climate Impact

## Stress Testing/Scenario Analysis

- In assessing stress testing scenarios, the Bank has considered climate change risk factors into the stress testing/scenario analysis exercise such as the rising of global temperature and its impact on our loan/financing portfolios.
- To mitigate undue risks under simulated stresses, the Bank takes preventive or corrective actions, including the formulation of ESG frameworks or policies, from both business and operational perspectives, to ensure that the Bank is equipped with the necessary strategies or mitigation plans to manage climate-related risks.
- The Bank will progressively take into account global temperature rises that could lead to negative consequences such as collateral depreciation, stranded assets, supply chain disruption, loss of income, and defaults, in future stress test exercises.
- A scenario analysis/stress testing exercise was conducted in the 1H FY21 whereby the Bank's Higher ESG Risk Corporate Sectors were assessed. Climate change is an evolving area in the banking industry, therefore we will continue to progressively refine our methodologies and competencies in the interconnectivity of other scenario analyses.

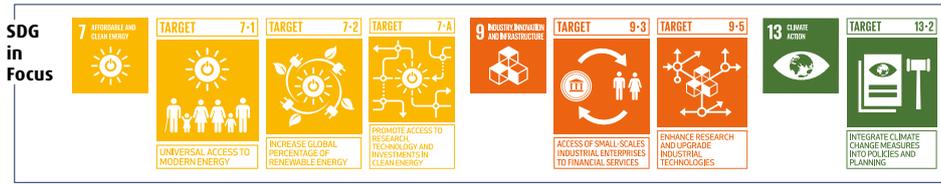


In the event that rising temperature reaches 2 degrees Celsius, there may be significant impact to the environment, community, customers we do business with and the ecosystem. Negative consequences may arise such as:

- **Severe Heatwave/Drought** - Extreme El Nino events may arise, which could result in poor yields of rice and cash crops, declining biodiversity, coral reef bleaching and forest fires etc. These are progressively reflected in our stress testing/ scenario scoping and analysis. The impact is not material at the current juncture due to the highly diversified portfolio composition of the Bank and the small discrete exposures (relative to portfolio) at the individual obligor levels.
- **Rising Sea Levels** - Sea levels are projected to rise by 0.36 – 0.87 meters by year 2100. The repercussion of this event will eventually lead to flooding in coastal areas, soil contamination with salt and loss of aquatic, flora and bird's habitats. The impact is not material in the current term and potential future term effects are progressively being mitigated with the introduction of the climate risk management initiatives of the Bank where new financial underwriting across business and consumer banking is assessed against said climate change risks.

## Metrics & Targets

- As part of our ongoing efforts to manage HLB's internal climate risks, we measure and monitor our Scope 1 and Scope 2 GHG emissions as means of tracking relevant metrics. In FY2021, we expanded the boundaries of our emissions tracking to our entire Malaysian operations.
- In order to establish a baseline figure to track our progress in subsequent years and set realistic GHG emissions targets, we have in this year, for the first time, disclosed our Scope 3 GHG emissions. In relation to our Scope 3 emissions, we are monitoring all business travel emissions, as well as building a GHG emissions calculator, which will be used to measure Scope 3 emissions generated by our employees' commute, as well as our company vehicles.
- We are also exploring tree planting initiatives as part of our carbon offset initiative. The Bank will be planting mangrove trees in Kuala Selangor in collaboration with the Malaysian Nature Society ("MNS") in the coming year.



# Addressing Climate Impact

## ENVIRONMENTALLY RESPONSIBLE FINANCING

HLB has been a champion of environmentally responsible financing, acknowledging the detrimental effects of climate change and its impact to the wider diversity. We understand that the Bank's reputational, credit, and operational risks are intricately linked to our ability to manage climate-related risks such as physical, transition, and liability risks.

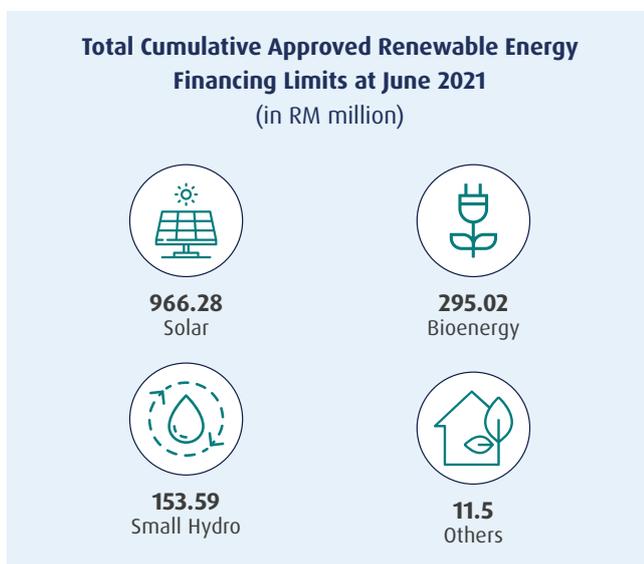
While integrating ESG considerations into our lending/financing practices form a core part of our efforts, we are also developing sustainable financing products as part of our commitment towards tackling climate change. This is in line with our support of the shifting regulatory landscape towards climate change emphasis, as exemplified by BNM's recent issuance of its CCPT guidance document, as well as the overall financial industry trends.

We make a conscious effort to proactively support the transitioning of customers towards greener solutions in areas such as renewable energy, green cars and sustainable property development.

### RENEWABLE ENERGY FINANCING

The Bank recognises that it has a role to play in supporting the government's aspirations to increase the share of renewable energy in the country's power mix to 31% by 2025. To that end, we have made a proactive effort in mobilising capital to drive this transformation at the Bank. As of the end of FY2021, the Bank has approved a total of more than RM1.4 billion to facilitate the development of renewable energy projects, including solar, bioenergy and small hydropower. Based on the approved limits, the Bank is able to support renewable energy generation that will contribute to the avoidance of close to 360,000 tonnes CO<sub>2</sub>\* equivalent emissions in a year.

\*with the assumption that all financed projects are developed up to successful commissioning



To support the transition of our business customers to clean energy options and further develop our portfolio, the Bank has expanded its team of renewable energy specialists. These specialists collaborate directly with customers to deliver value-added services, such as advising new industry players on equipment warranties and guarantees, as well as assisting customers in determining the viability and generating capacity of their projects.

HLB is also one of the largest supporters of the government's Green Technology Financing Scheme ("GTFS"). At the end of FY2021, we have supported close to 30 projects under GTFS with total loans approved of close to RM300 million.

### Highlight Story

Concord Energy Sdn Bhd is one of the many success stories from HLB's efforts to assist our customers with renewable energy financing. By working closely with our dedicated team of RE specialists, we were able to support Concord Energy in their renewable energy journey towards being one of the top leading biogas developers in the country.

We are pleased and proud to share that they emerged as the Winners for the National Energy Award in 2020 under the 'on-grid RE' category, and they also emerged as 2nd runner up under the ASEAN Energy Awards.

### Supporting SMEs Towards Their Renewable Energy Journey

To support the growth of the local SME industry and create a level playing field in terms of their accessibility to renewable energy financing opportunities, we launched a targeted SME Solar Financing Programme on 22 February 2021. This programme provides financing opportunities of up to RM1 million for each SME who are interested in investing in renewable energy via the installation of solar PV systems on their rooftops. With the initial budget of RM300 million, the programme would substantially assist Malaysian SMEs to lower their operational costs, improve energy efficiency and reduce their carbon impact in the long run.

As part of the programme, we have empaneled seven prominent local service providers to assist SME customers with a comprehensive one-stop solar PV installation, commissioning, operations, and maintenance solution.

Our Sustainability Roundtable on Solar PV also served as a platform to reach out to SMEs and raise their awareness on how they can capitalise on the existing incentives provided by the government together with the financing support offered by HLB.

### Renewable Energy Sector Engagements

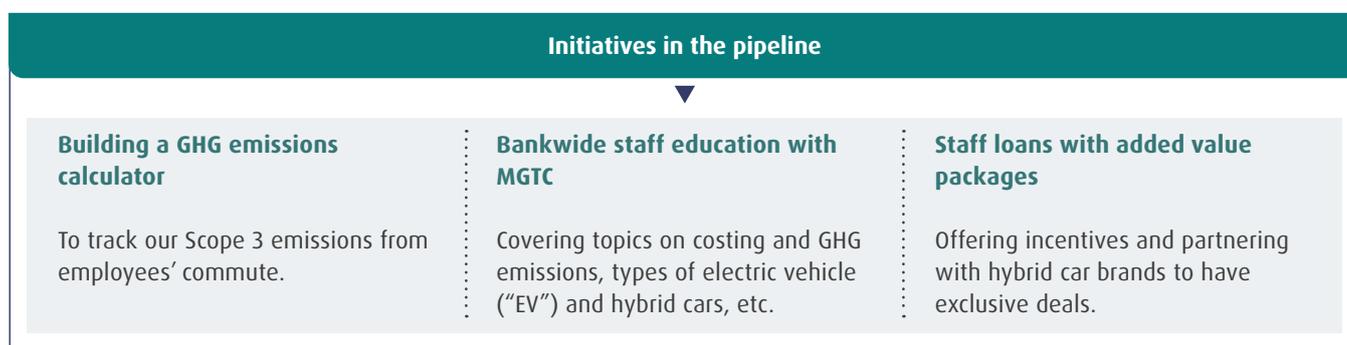
HLB maintains a multi-channel engagement strategy to connect with industry participants in order to grow the renewable energy sector in Malaysia and improve our position in this area. Our handbook for front-line staff provides an introduction of the sector, as well as information on renewable energy mix and development, incentive programmes and general financing guidelines. This allows us to better assist industry stakeholders.

# Addressing Climate Impact

## GREEN CAR FINANCING

The global climate problem and local air quality problem caused by vehicular emissions are linked with the use of fossil fuels. As part of our efforts to decarbonise transportation in Malaysia, we have developed a Green Car Financing Framework. It outlines efforts to form partnerships with hybrid car manufacturers as well as community engagements to facilitate a shift in consumer preferences towards green vehicles.

Through our current programme, we are offering our customers competitive loan rates on new green car purchases, as well as fast-track one-day approvals through our Green Lane for priority credit evaluation.



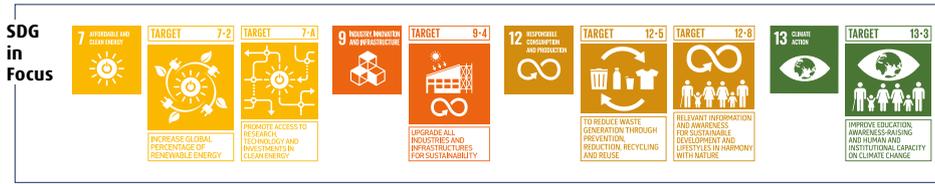
## DEVELOPER END FINANCING FRAMEWORK

In support of a more sustainable property development ecosystem, we have implemented a Developer End Financing Policy in January 2021. The policy outlines a set of internal ESG criteria which serves as a guideline for property development financing activities. Development projects are assessed based on their adherence to environmental standards such as green building design and construction, the use of water and energy-efficient fixtures, and sustainable construction methods.

The scores achieved by the proposed development project will determine a developer's ESG risk profile, rated in levels of low, medium, or high risk under the Framework. This helps encourage environmental best practices among property developers as companies with better ESG risk profiles are eligible for more attractive financing packages and expedited approval processes. We will work with those that do not meet the Green Developer benchmark to address their gaps.

We conducted a webinar this year to introduce the framework to the Selangor REHDA, which was attended by over 80 developers. The virtual session provided a platform for the Bank and the developers to have a meaningful discussion and sharing of ideas in regards to ESG challenges faced by the industry. The session gained us some traction in promoting green property development in the local landscape going forward.

Since its implementation in January 2021, 189 projects have been assessed thus far under the Framework.



# Addressing Climate Impact

## MANAGING OUR ENVIRONMENTAL FOOTPRINT

The Bank seeks to reduce the environmental impact of its business activities through more effective consumption and disposal habits by implementing our digitisation strategy and collaborating with our partners and customers. In doing so, we hope to reduce the resources we consume and the emissions we produce throughout our Malaysian operations.

In FY2021, we approved the Environmental Policy on Energy, Water and Waste Management. In adherence to the Policy, we abide by mandatory environmental laws and regulations such as the National Policy on the Environment and adopt additional standards and guidelines as best practices to ensure efficient resource management across our business operations. Additionally, we also aim to green our value chain by promoting environmental awareness among our stakeholders, adopting environmental-friendly procurement practices and delineating clear responsibilities for environmental accountability at all levels.

**Our FY2021 Initiatives**

**Employee educational and engagement programmes**

Publication of online content promoting environmentally-friendly behaviours

Workshops and training to inculcate sustainability awareness

**Developed a GHG Emissions Framework to expand our energy and emissions tracking**

## INSTILLING ENVIRONMENTAL OWNERSHIP

As we embark on our ESG journey, we recognise that educating our employees on climate change and sustainability issues is crucial in our efforts to become a more sustainable organisation. To that end, we concentrated on strengthening the awareness, knowledge and skills of HLB's employees in sustainability in FY2021.

**FY2021 Training Initiatives to Promote Employee Sustainability Awareness**

**Bankwide Sustainability Month Huddles**

Weekly thematic huddles covering topics on introduction to sustainability, climate change, pollution, waste management and understanding carbon footprint.

**Two virtual Brown Bag Lunch & Learn sessions on environmental pollution**

**Sustainability as a key topic in our onboarding training**

**Role-based training session for our Board of Directors and senior management team**

**Capacity building sessions and refresher courses for our ARMs and credit risk managers**

For more details, please refer to Sustainability Training (Bankwide training) and Sustainability Training (Role-based training) sections on page 59.

This year, we also added a designated sustainability page on our website, which comprehensively highlights our approach to pursuing sustainability and driving our environmental actions across our operations.

Moving forward, we aim to expand our sustainability awareness programmes to cover other key stakeholders beyond our employees, such as consumers, vendors, service providers and business communities.



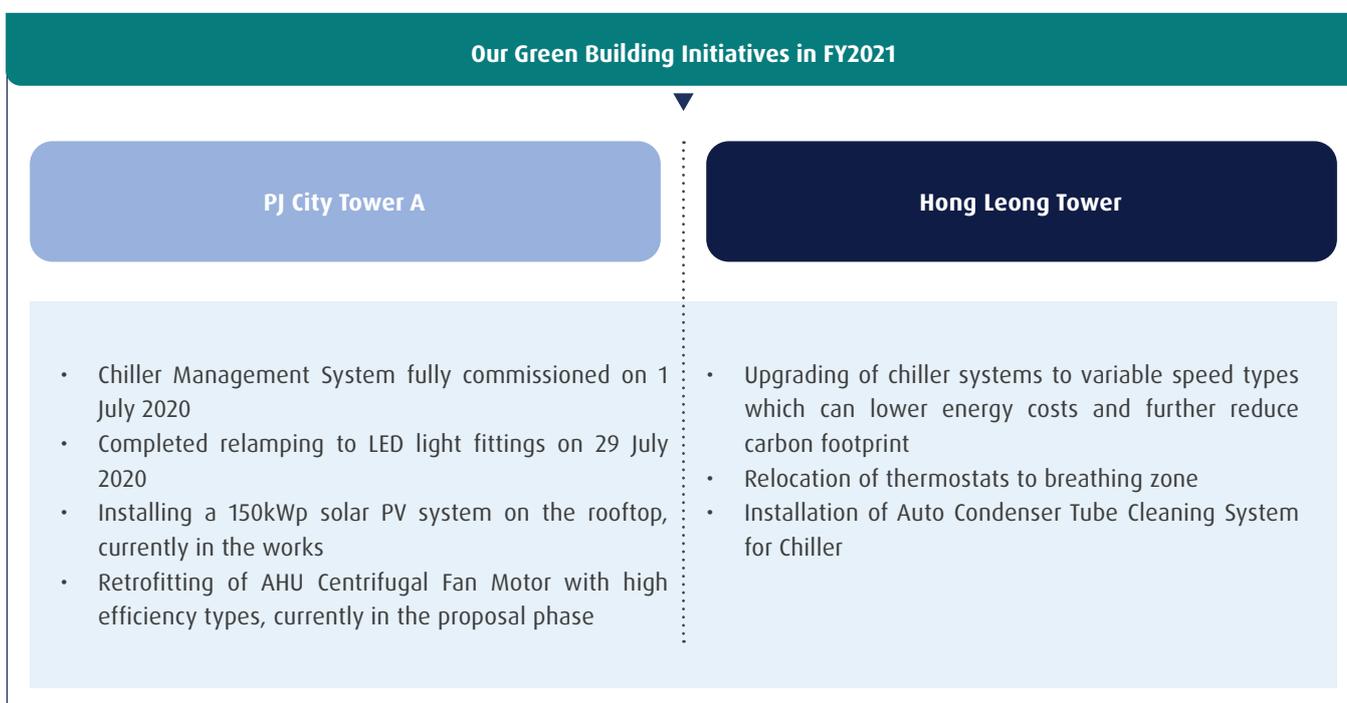
Please refer to sustainability page on our website.

# Addressing Climate Impact

## GREEN BUILDING

In line with our aim of responsibly managing the resources that we consume, we are committed to investing in physical infrastructure that reduces the carbon footprint of our business activities. Currently, HLB is rolling out EE&C initiatives to drive building efficiencies as part of our carbon reduction efforts. The Bank is working towards expanding these initiatives across all its owned premises across Malaysia, including its corporate buildings and branches.

Below are the green building initiatives in FY2021 for the Bank’s head office, Hong Leong Tower located in Damansara City, Kuala Lumpur and one of our strategic buildings, PJ City Tower A located in Petaling Jaya, Selangor.



In FY2019, Hong Leong Tower received a Green Building Index (“GBI”) Silver rating as well as the internationally recognised Leadership in Energy and Environmental Design (“LEED”) Gold rating. These accolades laid the foundation for the Bank to pursue additional green certifications for its Bank-owned buildings. We are presently working on achieving the GBI status for the South Key Digital Branch in Johor by FY2022 and the Penang branch located on Light Street by FY2025.

## ENERGY AND EMISSIONS

FY2021 marks a significant year in our energy and emissions tracking. With the assistance of an external consultant, we undertook an exercise to expand our GHG emissions tracking across our entire Malaysian operations - a significant scope expansion compared to our FY2020 practice of monitoring emissions across our two strategic buildings. We used the emissions generated in FY2019 as the baseline figure for our Malaysian operations and utilised the operational control method based on the GHG Protocol Standards to determine the organisational boundary for our GHG reporting.

Our newly developed GHG emissions framework, which aims to improve our resources to monitor and manage consumption, enabled us to understand our baseline and identified electricity as the major emission source for our operations. To ensure that we make meaningful progress towards our goals, we have established a reduction target of 15%-25% by the year 2026 and 40%-50% by the year 2031 for our GHG Scope 1 and Scope 2 emissions using FY2019 as a baseline year.

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# Addressing Climate Impact

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In FY2021, we recorded a 6.8% decrease in electricity consumption across our Malaysian operations compared to FY2020 levels. This year, we also recorded a decrease in our total GHG emissions of approximately 2,193 tCO<sub>2</sub>eq compared to FY2020 levels. The reductions in electricity consumption and GHG emissions are likely due to the WFH arrangements.

This is our first year we have measured and reported our Scope 3 GHG emissions. We have measured and monitored our business travel emissions and are currently developing a GHG emissions calculator to help track our Scope 3 emissions from our employees' commute.

As part of our carbon offset initiatives, we are also exploring tree planting initiatives. In FY2021, we signed a Memorandum of Understanding ("MoU") with MNS, making us the first Bank in Malaysia to embark on carbon sequestration with mangrove tree planting across 15 hectares of mangrove forest land in Kuala Selangor Nature Park.

## **WATER CONSUMPTION**

In FY2021, we recorded a decrease in the water consumed in both PJ City Tower A and Hong Leong Tower, amounting to a collective reduction of 15% compared to FY2020 levels. The lowered water consumption is likely due to WFH.

## **WASTE MANAGEMENT**

In our efforts to reduce the usage of paper, which is one of the largest material resources consumed in our daily operations, we have accelerated digitalisation in a gradual shift towards paperless operations. We have digitised the account application process, deployed InBranch tablets across our branches, and discontinued the hardcopy statements for credit card, Personal Banking Deposits/-i and investment products.

To measure our progress across our waste management initiatives, HLB monitors the amount of recyclable materials that have been diverted from the general waste disposal stream in both Hong Leong Tower and PJ City Tower A. In FY2021, we recycled over 24,881kg of plastic, paper and aluminium.

# Addressing Climate Impact

## OUR ENVIRONMENTAL PERFORMANCE FIGURES



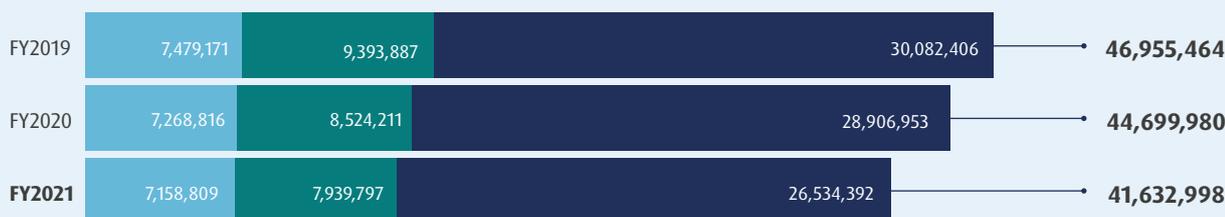
### Energy consumption <sup>1,2</sup>

Hong Leong Tower (kWh)

PJ City (Tower A and B) (kWh)

Other HLB owned premises (kWh)

Total Consumption across Malaysian operations (kWh)

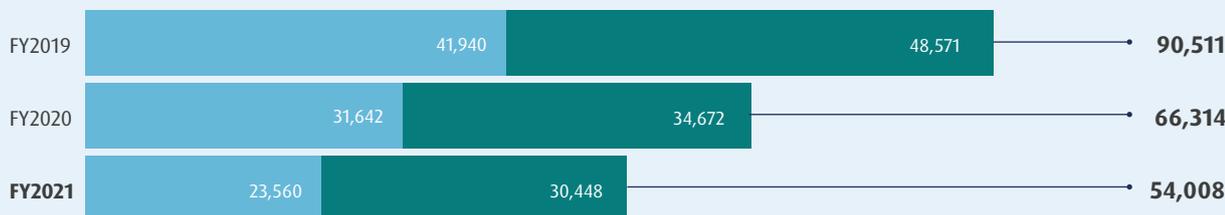


### Petrol consumption <sup>1,3</sup>

Petrol cards from company owned vehicles, litres

Petrol card from non-company owned vehicles, litres

Total



### GHG Emissions <sup>1,2 and 8</sup>

Scope 1 (tCO2eq) <sup>4</sup>

Scope 2 (tCO2eq) <sup>5</sup>

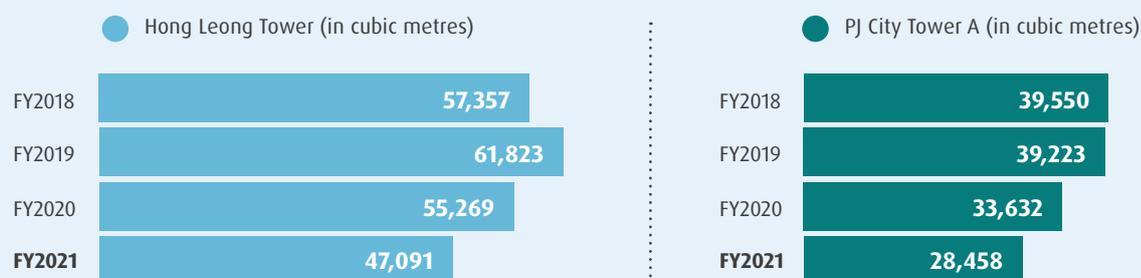
Scope 3 (tCO2eq) <sup>6</sup>

Total <sup>7</sup>

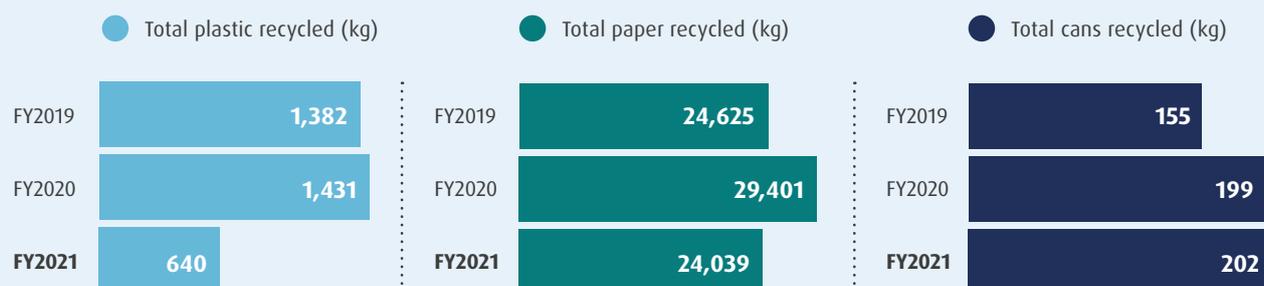




## Water Consumption <sup>1</sup>



## Waste Management Tracking (HLT & PJ City Tower A)



### Notes

1. FY2021 results may have been impacted by the WFH arrangements deployed during the COVID-19 pandemic.
2. Revision in FY2019 and FY2020 due to an update in the boundary of tracking.
3. We track the petrol consumption through the petrol cards of company-owned vehicles and non-company owned vehicles. The tracking of company-owned vehicles is only limited to Hong Leong Tower since all vehicles owned by the company are located here.
4. Scope 1 emissions are direct GHG emissions attributed to sources controlled or owned by the company. We calculate our emissions based on fuel combustion in generators and vehicles owned or operated by the company, as well as air-conditioning systems in the office. All GHG are converted to CO2 equivalent according to the terms set in IPCC Fifth Assessment Report and the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) - Refrigerant Table: Explanation and Glossary Terms.
5. Scope 2 emissions include purchased electricity for buildings across our entire Malaysian operations. The electricity is recorded in kilowatt-hour (kWh) and emission factors used are based on the 2017 Clean Development Mechanism (CDM) Electricity Baseline for Malaysia, Malaysian Green Technology Corporation.
6. Scope 3 emissions include indirect emissions from business travel, by car and flight, across the entire Malaysian operations.
7. Due to rounding differences, the numbers may not add up precisely to the total emissions disclosed.
8. For Scope 1, 2 and 3 emissions, all GHG calculated are converted to CO2 equivalent according to the terms set in IPCC Fifth Assessment Report and the Heating, Refrigeration and Air Conditioning Institute of Canada (HRAI) - Refrigerant Table: Explanation and Glossary of Terms.

## KEY HIGHLIGHTS IN FY2021



Number of social enterprises collaborated

**5**

social enterprises



DuitSmart for the visually impaired

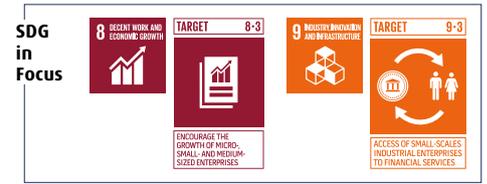
**55,000**

members of association and

**5** schools for the blind

# COMMUNITY INVESTMENT

# Community Investment



The Bank is dedicated to pursuing an all-round approach to community and social development. We aim to contribute toward improving the overall welfare of the society by working collaboratively with the local communities and engaged individuals, further empowering them to achieve more long-lasting and far-reaching impact. We are cognisant of our responsibility and the role we can play in creating community support and growth, thereby facilitating the advancement of a diverse and inclusive society.

## BUILDING COMMUNITIES

The betterment of the economic and social well-being of our community is a fundamental pillar that guides our actions. In FY2021, we have applied a more focused approach in disclosing our contributions to communities. To create more meaningful disclosure, we have streamlined our boundary of reporting by omitting detailed disclosures of Hong Leong Foundation's ("HLF"), our charitable entity under Hong Leong Group. We have focused on positive socioeconomic impacts created directly by HLB and HLISB instead.

To enhance our community impact, we leverage our resources, expertise and manpower to form strategic partnerships with high-potential social enterprises. HLB hopes to develop robust platforms for these community-focused social enterprises, who will in turn drive socioeconomic growth in the communities they serve. Throughout FY2021, supporting communities through the COVID-19 pandemic was, and remains, a key focus area in our efforts to foster community resilience.

## COVID-19 RELIEF EFFORTS FOR THE COMMUNITY

The Bank stood by our communities in their times of need. The ongoing COVID-19 outbreak and the ensuing movement restrictions have greatly affected the lives and livelihoods of many people in our society, and the impact is felt in different ways by different people and communities. It is our aim to make impactful contributions based on a thorough understanding of what is truly needed by each community.

### Contributing to Frontliners

#### Mercy Malaysia COVID-19 Fund

HLB contributed RM 200,000 and allocated all the excess funds from the closed loan accounts, amounting to RM55,368.86 to MERCY Malaysia's COVID-19 Fund. These contributions were used to purchase medical supplies for hospitals, meet the essential needs of marginalised groups, while enabling MERCY Malaysia to provide continuous humanitarian assistance to parties that have been significantly affected by the pandemic.



Further details of how donation is used:  
<https://mercyfightscovid19.com>

#### Pusat Perubatan Universiti Malaya ("PPUM")

The COVID-19 pandemic placed significant constraints on the medical resources in Malaysia. In our wish to contribute directly towards life-saving efforts on the frontlines, we contributed RM27,000 to PPUM, one of the largest and critical hospitals in the country that treats COVID-19 patients. The funds donated by HLB were used to purchase High Flow Cannula Oxygen units, which act as non-invasive ventilators for patients in critical conditions.

### Contributing to Communities Across Malaysia

Chinese New Year is traditionally viewed as a time to celebrate togetherness. To share the joy of this festivity, we contributed RM100,000 to the communities in need, of which more than RM 35,000 was raised by HLB employees who rallied together to fundraise for the event. HLB's efforts were targeted to benefit multiple groups across various regions in Malaysia. To do so, we worked with 7 organisations comprising welfare homes, orphanages and nursing homes in Penang, Selangor, Johor, Pahang, Sarawak, Negeri Sembilan, and Sabah. The initiative benefited 655 beneficiaries.

#### Breakdown of contributions



# Community Investment

## HLISB TURUN PADANG

Marginalised communities were hardest hit by the devastating economic impact of the COVID-19 pandemic, and the Orang Asli communities found themselves in need of resources and support as a result. To ensure that no community gets left behind, HLISB reached out to three indigenous people of the Orang Asli communities in Perak, Pahang, and Negeri Sembilan to provide pandemic prevention resources via the HLISB Turun Padang initiative.

Through this initiative, HLISB distributed “New Normal Starter Packs” containing hand sanitisers as well as reusable face masks and educational material on COVID-19 prevention to more than 1,000 members of the Orang Asli community. Sharing sessions on hygiene practices on reusable face masks as well as the right methods to dispose of single-use face masks were also provided as part of the initiative.

These efforts were carried out in collaboration with community-based organisations such as The Asli Co. and SURI to empower and create economic opportunities for vulnerable communities to survive during these tough times.

## HLB JUMPSTART

### Key Highlights for HLB Jumpstart in FY2021

Onboarded **5** social enterprises to-date, with the most recent being Benak Raya from Sarawak.

Greenhero recorded a **299%** increase in average monthly sales since pre-collaboration

The Asli Co. achieved **record-high** sales in FY2021 amidst the pandemic.

Partnered with The Asli Co. and SURI to produce and provide hand sanitisers and reusable face masks for HLISB’s Turun Padang initiative.

Social enterprises play a crucial role in the socioeconomic development of the country, as they generate economic value while creating social welfare. Since its inception in 2018, HLB’s flagship community investment programme, **HLB Jumpstart**, has focused on working closely with promising local social enterprises to drive community development. We aim to support them in building sustainable businesses through 5 pillars: Financial Knowledge, Tools and Digitisation, Branding and Marketing, Commercialisation and Volunteerism.

Through the partnership, the Bank procures products from these social enterprises, which we continued to pursue during the pandemic to ensure that these businesses are able to stay resilient even at times of economic uncertainty.

FY2021 also saw us partnered with our fifth and latest social enterprise.

### Benak Raya Enterprise (“Benak Raya”)

Benak Raya is HLB’s latest collaboration under the HLB Jumpstart Programme. This agricultural social enterprise was founded in 2017 by Imelda Bragie Anak Jamie, who provides employment to 16 villagers from Sri Aman via her social enterprise. Innovation is at the core of Imelda’s growth strategy. This Sarawak-based social enterprise produces three types of Simanggang rice varieties - red, white, and black, but has also diversified into a range of rice-based products such as edible rice straws, face scrubs, and hand sanitisers made out of fruit extracts. Benak Raya’s creation of the edible rice straw earned it the Shell LiveWire Top 10 Innovators Awards in 2019, as it was hailed as a sustainable alternative to single-use plastic straws.

Sourcing an affordable logistics solutions provider presents one of the biggest challenges faced by Benak Raya, who routinely needs to make shipments to Peninsular Malaysia. Moving forward in our partnership, HLB intends to help Benak Raya by building an e-commerce platform that will incorporate a seamless digital payment system, feature appropriate logistics solutions as well as broaden their sales and distribution channels.

## Ongoing HLB Jumpstart Partners in FY2021

### SURI

- Offers single mothers in the Klang Valley financial opportunities and skills development
- HLB's first collaboration partner in September 2018

#### KEY HIGHLIGHTS:

- Ongoing Social Purchase
  - a 3-ply WHO-compliant fabric masks and upcycled denim tote bags
- Achieved a **454%** increase in average yearly bag sold after the partnership
- Grew its team from 10 to 40 mothers since the collaboration

### Green Hero

- Dedicated to eradicating food waste across the nation
- HLB's second collaboration partner in May 2019

#### KEY HIGHLIGHTS:

- An ongoing project to build a seamless Green Hero Food Ordering App by collaborating with WeEat team, an online F&B business solutions experts
- A **299% increase** in average monthly sales since pre-collaboration
- **11,000** meals saved from landfill through Food Surplus Donation Drive

### Coffee For Good

- Aims to provide low-income youths to upskill themselves via an on-the-job training as baristas
- HLB's third collaboration partner in December 2019

#### KEY HIGHLIGHTS:

- Ongoing Social Purchase
  - 2021 CNY media gift pack cookies and coffee pack for Media Briefing for Q4 FY2020 Results Announcement

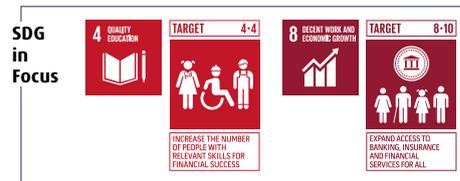
### The Asli Co.

- Focuses on providing sustainable incomes for Orang Asli mothers from two villages via the commissioning of artisanal handicrafts and products that the women make from home
- HLB's fourth collaboration partner in June 2020

#### KEY HIGHLIGHTS:

- Ongoing Social Purchase
  - Hand sanitisers, disinfectant sprays, 3-ply WHO-compliant fabric masks, hygiene care packs for media and merchants
- Achieved record-high sales in FY2021 amidst the pandemic with an **increase of 226% in sales** since we onboarded them on June 2020

# Community Investment



## FINANCIAL LITERACY

There is a pressing need to ensure that every segment of Malaysian society is financially literate. As we strive to promote financial literacy among our direct stakeholders, we also keep in mind the needs of the larger society, including students and the underserved communities. The Bank regularly collaborates with the Malaysia Government in promoting the Islamic Banking principles as part of the National Strategy for Financial Literacy (2019-2023). Our experts team frequently share their insights through various channels, from industry seminars and conferences for working professionals to educational programmes for students.

### DUITSMART

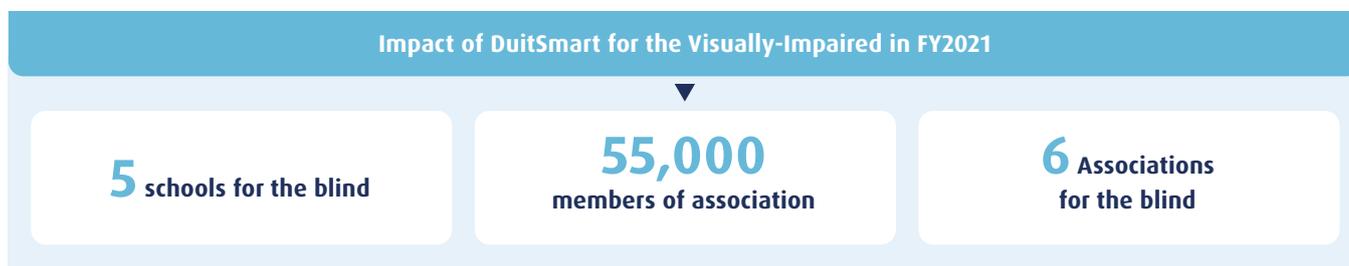
HLB and HLISB believe in empowering Malaysians with the information they need to make sound financial decisions because this will improve the overall financial health of the country. DuitSmart was launched in support of this goal. We are partnering with the Counseling and Debt Agency of Malaysia (“AKPK”) and the University of Malaya to uphold the credibility of the information shared via DuitSmart.

The initiative is targeted at students in the primary, secondary and tertiary education institutions, as well as the underprivileged groups such as single mothers and the Orang Asli communities. To be more inclusive, we also tailored the programmes to meet the needs of the visually impaired. In FY2021, DuitSmart made several efforts to broaden the scope of our impact by creating bite-sized social media content for the public, hosting virtual workshops for students, and posting relevant press releases on the platform’s website.

In FY2022, we are looking forward to expand the outreach of DuitSmart. We expect to impact over 500 beneficiaries through a mix of virtual workshops and in-person sessions planned.

### Financial Literacy for the Visually Impaired

The visually impaired community in Malaysia has historically lacked access to financial literacy-related resources because of the logistical challenges involved in disseminating information to these groups. To address this gap, HLB has developed financial literacy content in audio format in English, Bahasa Malaysia and Mandarin in collaboration with several blind associations in Malaysia. 30 financial literacy articles were created in audio format in topics such as Understanding Common Financial Jargon, Investment and Savings, Financing, Scams, Emergency Fund Planning and EPF Members Entitlement. These audio files were recorded in-house by HLB employees who had volunteered for this special project. The blind associations converted the content into Braille to allow the visually impaired community to benefit from the material.



### FINANCIAL LITERACY IN ISLAMIC BANKING

HLISB is committed to improve the financial literacy in Islamic Banking. In line with this effort, we have launched the Program Celik Muamalat to raise the public awareness on Islamic banking via a series of talks and forums, covering topics including product innovation and Shariah Governance.

Digitising our knowledge-sharing initiatives is a key part of our efforts to expand our engagement channels. Currently, the revamped HLISB website has a page dedicated to Islamic banking principles. To further broaden our scope of digital content, we also conducted a webinar on Program Celik Muamalat on 11<sup>th</sup> June 2021, which was attended by 100 public university graduates.

# GRI Standard Content Index

SPECIFIC STANDARD DISCLOSURES					
GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE NUMBER (S)	REFERENCE	OMISSION
<b>GRI 101: Foundation 2016</b>					
<b>GRI 102: General Disclosures</b>					
<b>ORGANISATIONAL PROFILE</b>					
<b>GRI 102: General Disclosures 2016</b>	102-1	Name of the organization	7	Overview - About Hong Leong Bank	
	102-2	Activities, brands, products, and services	8	Overview - About Hong Leong Bank - Our Principle Business Activities	
	102-3	Location of headquarters	7	Overview - About Hong Leong Bank	
	102-4	Location of operations	8	Overview - About Hong Leong Bank - Regional Footprint	
	102-5	Ownership and legal form	7	Overview - About Hong Leong Bank	
	102-6	Markets served	8	Overview - About Hong Leong Bank - Our Principle Business Activities; Regional Footprint	
	102-7	Scale of the organization	8	Overview - About Hong Leong Bank - Regional Footprint	
	102-8	Information on employees and other workers	67	Workforce Readiness - Performance Data	
	102-9	Supply chain	14	Overview - Our Sustainability Approach - Stakeholder Engagement	
	102-10	Significant changes to the organization and its supply chain	8	Overview - About Hong Leong Bank - Regional Footprint	
	102-11	Precautionary Principle or approach	25	Good Business Conduct - Sustainability Governance	
	102-12	External initiatives	9-10	Overview - About Hong Leong Bank - Partnerships and Collaborations	
	102-13	Membership of associations	9-10	Overview - About Hong Leong Bank - Partnerships and Collaborations	
<b>STRATEGY</b>					
<b>GRI 102: General Disclosures 2016</b>	102-14	Statement from senior decision-maker	4-6	Overview - Chairman and Group Managing Director/Chief Executive Officer's Sustainability Review	
	102-15	Key impacts, risks, and opportunities	30	Good Business Conduct - Sustainability Risk Management	
<b>ETHICS AND INTEGRITY</b>					
<b>GRI 102: General Disclosures 2016</b>	102-16	Values, principles, standards, and norms of behavior	7	Overview - About Hong Leong Bank - The Bank's Core Values	
	102-17	Mechanisms for advice and concerns about ethics	26; 27; 28	Good Business Conduct - Ethics and Integrity; Compliance Framework; Whistleblowing Policy	

# GRI Standard Content Index

SPECIFIC STANDARD DISCLOSURES					
GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE NUMBER (S)	REFERENCE	OMISSION
<b>GRI 102: General Disclosures</b>					
<b>GOVERNANCE</b>					
<b>GRI 102: General Disclosures 2016</b>	102-18	Governance structure	24; 25	Good Business Conduct - Corporate Governance; Sustainability Governance	
	102-19	Delegating authority	24; 25; 30	Good Business Conduct - Corporate Governance; Sustainability Governance; Sustainability Risk Management	
	102-20	Executive-level responsibility for economic, environmental, and social topics	24; 25; 30	Good Business Conduct - Corporate Governance; Sustainability Governance; Sustainability Risk Management	
	102-23	Chair of the highest governance body	24	Good Business Conduct - Corporate Governance	
	102-26	Role of highest governance body in setting purpose, values, and strategy	24; 25; 30	Good Business Conduct - Corporate Governance; Sustainability Governance; Sustainability Risk Management	
	102-29	Identifying and managing economic, environmental, and social impacts	25	Good Business Conduct - Sustainability Governance	
	102-30	Effectiveness of risk management processes	24; 25; 30	Good Business Conduct - Corporate Governance; Sustainability Governance; Sustainability Risk Management	
	102-31	Review of economic, environmental, and social topics	24; 25; 30	Good Business Conduct - Corporate Governance; Sustainability Governance; Sustainability Risk Management	
	102-32	Highest governance body's role in sustainability reporting	24; 25; 30	Good Business Conduct - Corporate Governance; Sustainability Governance; Sustainability Risk Management	
	102-33	Communicating critical concerns	24; 25; 30	Good Business Conduct - Corporate Governance; Sustainability Governance; Sustainability Risk Management	
	102-37	Stakeholders' involvement in remuneration	118	Hong Leong Bank Annual Report 2021 - Corporate Governance Overview	

# GRI Standard Content Index

SPECIFIC STANDARD DISCLOSURES					
GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE NUMBER (S)	REFERENCE	OMISSION
<b>GRI 102: General Disclosures</b>					
<b>STAKEHOLDER ENGAGEMENT</b>					
<b>GRI 102: General Disclosures 2016</b>	102-40	List of stakeholder groups	12-14	Overview - Our Sustainability Approach - Stakeholder Engagement	
	102-41	Collective bargaining agreements		19.5 of total employees are covered by collective bargaining agreements	
	102-42	Identifying and selecting stakeholders	12	Overview - Our Sustainability Approach - Stakeholder Engagement	
	102-43	Approach to stakeholder engagement	12	Overview - Our Sustainability Approach - Stakeholder Engagement	
	102-44	Key topics and concerns raised	12-14	Overview - Our Sustainability Approach - Stakeholder Engagement	
<b>REPORTING PRACTICE</b>					
<b>GRI 102: General Disclosures 2016</b>	102-45	Entities included in the consolidated financial statements	2	Overview - About This Report	
	102-46	Defining report content and topic Boundaries	2	Overview - About This Report	
	102-47	List of material topics	15	Overview - Our Sustainability Approach - Materiality	
	102-48	Restatements of information		Restatements are noted as and when they appear	
	102-49	Changes in reporting	2	Overview - About This Report	
	102-50	Reporting period	2	Overview - About This Report	
	102-51	Date of most recent report	2	Overview - About This Report	
	102-52	Reporting cycle	2	Overview - About This Report	
	102-53	Contact point for questions regarding the report	2	Overview - About This Report	
	102-54	Claims of reporting in accordance with the GRI Standards	2	Overview - About This Report	
	102-55	GRI content index	105-111	GRI Standard Content Index	
	102-56	External assurance	112	SIRIM Assurance Statement Certification	

# GRI Standard Content Index

SPECIFIC STANDARD DISCLOSURES					
GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE NUMBER (S)	REFERENCE	OMISSION
<b>GRI 200: Economic</b>					
<b>MARKET PRESENCE</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	15	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	24; 26; 30	Good Business Conduct - Corporate Governance; Ethics and Integrity; Sustainability Risk Management	
	103-3	Evaluation of the management approach	24; 26; 30	Good Business Conduct - Corporate Governance; Ethics and Integrity; Sustainability Risk Management	
<b>GRI 202: Market Presence 2016</b>	202-1	Ratios of standard entry level wage by gender compared to local minimum wage		As wages are determined using standard par grades with no differentiation based on gender, the ratio is 1:1	
	202-2	Proportion of senior management hired from the local community		In FY2021, 100% of senior management was hired from the local community.	
<b>INDIRECT ECONOMIC IMPACTS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	18	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	18	Overview - Our Sustainability Approach - Materiality	
	103-3	Evaluation of the management approach	18	Overview - Our Sustainability Approach - Materiality	
<b>GRI 203: Indirect Economic Impacts 2016</b>	203-1	Infrastructure investments and services supported	102-103	Community Investment - Building Communities - HLB Jumpstart	
	203-2	Significant indirect economic impacts	102-103	Community Investment - Building Communities - HLB Jumpstart	
<b>ANTI-CORRUPTION</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	18	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	24; 26; 30	Good Business Conduct - Corporate Governance; Ethics and Integrity; Sustainability Risk Management	
	103-3	Evaluation of the management approach	24; 26; 30	Good Business Conduct - Corporate Governance; Ethics and Integrity; Sustainability Risk Management	
<b>GRI 205: Anti-corruption 2016</b>	205-2	Communication and training about anti-corruption policies and procedures	27; 28	Good Business Conduct - Compliance Framework; Promoting a Culture of Compliance	

# GRI Standard Content Index

SPECIFIC STANDARD DISCLOSURES					
GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE NUMBER (S)	REFERENCE	OMISSION
<b>GRI 300: Environmental</b>					
<b>ENERGY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	96	Addressing Climate Impact - Energy and Emissions	
	103-2	The management approach and its components	96	Addressing Climate Impact - Energy and Emissions	
	103-3	Evaluation of the management approach	96	Addressing Climate Impact - Energy and Emissions	
<b>GRI 302: Energy 2016</b>	302-1	Energy consumption within the organization	96; 98	Addressing Climate Impact - Energy Emissions; Our Environmental Performance Figures	
<b>EMISSIONS</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	96	Addressing Climate Impact - Energy and Emissions	
	103-2	The management approach and its components	96	Addressing Climate Impact - Energy and Emissions	
	103-3	Evaluation of the management approach	96	Addressing Climate Impact - Energy and Emissions	
<b>GRI 305: Emissions 2016</b>	305-1	Direct (Scope 1) GHG emissions	98	Addressing Climate Impact - Our Environmental Performance Figures	
	305-2	Energy indirect (Scope 2) GHG emissions	98	Addressing Climate Impact - Our Environmental Performance Figures	
	305-3	Other indirect (Scope 3) GHG emissions	98	Addressing Climate Impact - Our Environmental Performance Figures	
	305-5	Reduction of GHG emissions	98	Addressing Climate Impact - Our Environmental Performance Figures	
<b>SUPPLIER ENVIRONMENTAL ASSESSMENT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	17	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	80	Socially Responsible Business - Sustainable Supply Chain	
	103-3	Evaluation of the management approach	80	Socially Responsible Business - Sustainable Supply Chain	
<b>GRI 308: Supplier Environmental Assessment 2016</b>	308-2	Negative environmental impacts in the supply chain and actions taken	80	Socially Responsible Business - Sustainable Supply Chain	

# GRI Standard Content Index

SPECIFIC STANDARD DISCLOSURES					
GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE NUMBER (S)	REFERENCE	OMISSION
<b>GRI 400: Social</b>					
<b>EMPLOYMENT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	17	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	53	Workforce Readiness - Nurturing a Sustainable Employee Experience	
	103-3	Evaluation of the management approach	53	Workforce Readiness - Nurturing a Sustainable Employee Experience	
<b>GRI 401: Employment 2016</b>	401-1	New employee hires and employee turnover	68	Workforce Readiness - Performance Data	
<b>OCCUPATIONAL HEALTH AND SAFETY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	17	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	65	Workforce Readiness - Employee Well-Being, Health and Safety - Health and Safety	
	103-3	Evaluation of the management approach	65	Workforce Readiness - Employee Well-Being, Health and Safety - Health and Safety	
<b>GRI 403: Occupational Health and Safety 2018</b>	403-9	Work-related injuries	65	Workforce Readiness - Employee Well-Being, Health and Safety - Health and Safety	
<b>TRAINING AND EDUCATION</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	17	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	53	Workforce Readiness - Nurturing a Sustainable Employee Experience	
	103-3	Evaluation of the management approach	53	Workforce Readiness - Nurturing a Sustainable Employee Experience	
<b>GRI 404: Training and Education 2016</b>	404-1	Average hours of training per year per employee	59	Workforce Readiness - Developing Our Workforce - Learning and Development	
	404-2	Programs for upgrading employee skills and transition assistance programs	59	Workforce Readiness - Developing Our Workforce - Learning and Development	

# GRI Standard Content Index

SPECIFIC STANDARD DISCLOSURES					
GRI STANDARD	DISCLOSURE	DESCRIPTION	PAGE NUMBER (S)	REFERENCE	OMISSION
<b>GRI 400: Social</b>					
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	17	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	66	Workforce Readiness - Diverse and Inclusive Workforce	
	103-3	Evaluation of the management approach	66	Workforce Readiness - Diverse and Inclusive Workforce	
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1	Diversity of governance bodies and employees	70	Workforce Readiness - Diversity and Inclusivity Performance Data	
	405-2	Ratio of basic salary and remuneration of women to men	70	Workforce Readiness - Diversity and Inclusivity Performance Data	
<b>SUPPLIER SOCIAL ASSESSMENT</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its Boundary	17	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	80	Socially Responsible Business - Sustainable Supply Chain	
	103-3	Evaluation of the management approach	80	Socially Responsible Business - Sustainable Supply Chain	
<b>GRI 414: Supplier Social Assessment 2016</b>	414-2	Negative social impacts in the supply chain and actions taken	80	Socially Responsible Business - Sustainable Supply Chain	
<b>CUSTOMER PRIVACY</b>					
<b>GRI 103: Management Approach 2016</b>	103-1	Explanation of the material topic and its boundary	17	Overview - Our Sustainability Approach - Materiality	
	103-2	The management approach and its components	17	Digital at the Core - Our Digital Infrastructure	
	103-3	Evaluation of the management approach	48	Digital at the Core - Our Digital Infrastructure	
<b>GRI 418: Customer Privacy 2016"</b>	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	48	Digital at the Core - Our Digital Infrastructure	We have included FY2021 data for the number of phone scams reported. As for the complaints related to data privacy breaches, we are currently enhancing our data collection process, therefore the data on cyber security breaches is unavailable at the point of publishing the report. We will include this data in the FY2022 Sustainability Report.

# SIRIM Assurance Statement Certification



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## INDEPENDENT ASSURANCE STATEMENT

### Scope and Objective

SIRIM QAS International Sdn. Bhd., a Conformity Assessment Body in Malaysia, with extensive expertise and experience in the provision of sustainability-related assurance services, was engaged by Hong Leong Bank Berhad (hereafter referred to as Hong Leong Bank) to perform an independent verification and provide assurance of the Hong Leong Bank Sustainability Report 2021. The main objective of the verification process is to provide assurance to Hong Leong Bank and its stakeholders of the accuracy and reliability of the information presented in this report. This was established through checking and verifying claims made in the report. The verification audit by SIRIM QAS International covered all sustainability-related activities which had been included in Hong Leong Bank Sustainability Report 2021 except for the information presented in the chapter of Digital at the Core, the details under Performance Data, Fair Banking, Our Portfolio Exposure and Business Banking Disclosures.

The management of Hong Leong Bank was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this verification statement is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the Hong Leong Bank Sustainability Report 2021.

### Verification team

The verification team from SIRIM QAS International consisted of:

- 1) Ms. Aernida Abdul Kadir : Team Leader
- 2) Ms. Kamini Sooriamorthy : Team Member
- 3) Ms. Farhanah Md. Shah : Team Member



A wholly-owned subsidiary of SIRIM Berhad

## **Methodology**

The verification process was carried out by SIRIM QAS International between August and September 2021. It involved the following activities:

- Reviewing and verifying the accuracy of data collected from various sources and that are presented in the report;
- Reviewing of internal and external documentation and displays such as awards, press releases, media publications, internal newsletters, internal systems, etc.;
- Interviewing of key personnel responsible for collating information and writing various parts of the report in order to substantiate the veracity of the claims;
- Evaluating the adequacy of the Sustainability Report of Hong Leong Bank and its overall presentation against the GRI Standards requirement.

During the verification process, issues were raised, and clarifications were sought from the management of Hong Leong Bank relating to the accuracy of some of the data and statements contained in the report. The report was subsequently reviewed and revised by Hong Leong Bank in response to the findings of the verification team. It can be confirmed that the changes that have been incorporated into the final version of the report satisfactorily address the issues that had been raised.

## **Limitation**

The verification process was subjected to the following limitations:

- The scope of work did not involve verification of information reported in the Hong Leong Bank Annual Report 2021;
- The restriction in reviewing confidential original data sources and depending on the endorsed data from the data provider;
- The verification was designed to provide limited assurance irrespective of the organization's ability to achieve its objectives, targets or expectations on sustainability-related issues;
- The verification process did not include physical inspections of any of Hong Leong Bank's corporate offices and operating assets. It has been carried out through remote assessment during Malaysia Movement Control Order; and
- The verification team did not verify any contractor or third party data.

# SIRIM Assurance Statement Certification

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## **Materiality Matters**

In 2021, Hong Leong Bank has strengthened its materiality determination process to enable better disclosure of the level of impact of each material issue along with the value chain. The in-depth materiality assessment reveals fifteen (15) topics considered important by Hong Leong Bank stakeholders, highlighting their shifting priorities during the pandemic. The significant material matters include cyber security and data privacy in the face of rising digital banking adoption, employee welfare in a pandemic, and the urgency of financial literacy to help the community weather the economic challenges. In addition, good governance and climate action are topics that always remain relevant.

## **Greenhouse Gases (GHG) emissions and Carbon footprint**

Hong Leong Bank's GHG emissions reporting has included Direct (Scope 1) GHG Emissions, Energy Indirect (Scope 2) GHG Emissions and Other Indirect (Scope 3) GHG Emissions. The GHG emission identification and quantification has been carried out in accordance with the IPCC Guidelines for National Greenhouse Gas Inventories and the Greenhouse Gas Protocol HFC Tools with reference to ISO 14064-1:2018 requirements with the following coverage:

- The Scope 1 emissions from fuel consumption by company-owned vehicles and diesel generators and fugitive emissions from the refrigerants;
- The Scope 2 emissions resulting from electricity consumption;
- The Scope 3 covers emissions from business travel via air and road travelling.

The specific boundary for each scope has been clearly stated in Hong Leong Bank Sustainability Report 2021. The total computation of carbon footprint for reporting year 2021 has been determined by third-party appointed by Hong Leong Bank. The review of data reported was carried out in reference to the requirements of ISO 14064-3:2019.

## **Conclusion**

Based on the scope of the verification process, the following represents SIRIM QAS International's opinion:

- The level of accuracy of data included in the Hong Leong Bank Sustainability Report 2021 is fair and acceptable;
- The sustainability report was prepared in accordance with the GRI Standards: Core Option;
- The overall report content and quality were well established. The level of sustainability performance information in the statement was found to be acceptable;
- The information has been presented in an appropriate manner;

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# SIRIM Assurance Statement Certification

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- Most of the personnel responsible were able to demonstrate the origin(s) and interpretation of data contained in the report;
- Hong Leong Bank Berhad has satisfactorily addressed, in the final version of the report, all issues that had been raised during the verification audit;
- The sustainability report provides a reasonable and balanced presentation of the sustainability performance of Hong Leong Bank Berhad.

Prepared by:



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**AERNIDA ABDUL KADIR**

Team Leader  
Management System Certification  
Department  
SIRIM QAS International Sdn. Bhd.

Date : 22 September 2021

Approved by:



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**MOHD HAMIM BIN IMAM MUSTAIN**

Senior General Manager  
Management System Certification  
Department  
SIRIM QAS International Sdn. Bhd.

Date : 22 September 2021

**Note:**

This Independent Assurance Statement has been issued based on the content verified prior to the approval date. SIRIM QAS International Sdn Bhd shall not be responsible for any changes or additions made after the referred date.

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## **Hong Leong Bank Berhad**

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