



HongLeong Bank Berhad

Sustainability Report **2022**

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OVERVIEW

About This Report

The HLB Sustainability Report 2022 describes our sustainability journey, including our initiatives and progress we have made to embed sustainability into our business practices as well as our products and services to date. Through this Report, we provide updates on the topics that are most material to our stakeholders on how we create long-term value.

The Report covers our financial year from 1 July 2021 to 30 June 2022 (“FY2022”), unless otherwise stated. The report should be read along with our Annual Report 2022, 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), and guided by the United Nations Sustainable Development Goals (“UN SDGs”). Our climate-related disclosures have been further guided by the Recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) along with the recently released TCFD Application Guide for Malaysian Financial Institutions and Bank Negara Malaysia (“BNM”)’s implementation of the Climate Change and Principle-based Taxonomy (“BNM CCPT”) regulatory reporting. Through these frameworks and guidelines, 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 109-116.

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 assessment. 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 HLB’s senior management and the Board of Directors (“BOD”). The contents of this Sustainability Report are governed by a Sustainability Committee (“SC”) 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 BOD. 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.

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Task Force on Climate-related Financial Disclosures (TCFD)

Executive Summary

We continue to disclose our approach towards managing climate risks and opportunities aligned with recommendations of The Task Force on Climate-related Financial Disclosure (TCFD). This year, we have taken guidance from BNM's TCFD Application Guide in developing our climate-related disclosures around the four thematic areas: Governance, Strategy, Risk Management and Metrics and Targets. As outlined in the guide, we have addressed and discussed most of the Basic recommendations below.

Aspect	Governance	Strategy	Risk Management	Metrics and Targets
Executive Summary	<ul style="list-style-type: none"> The BOD (including the BRMC) and Senior Management oversee all strategic measures and implement climate-related initiatives across the Bank. The Bank's SC and SWC steer and execute the Bank's sustainability strategies, including climate-related ones. The Sustainability Department is responsible for the coordination and monitoring of the Bank's sustainability efforts while the Sustainability Risk function within Group Risk Management ("GRM") reviews and validates the progress of the initiatives and climate-related risks. The Bank's senior management team are assessed against scorecard objectives which are aligned with the Bank's sustainability and climate-related targets and strategy. 	<ul style="list-style-type: none"> Identified a number of risk factors and opportunities which we monitor over the short, medium and long-term horizon. Assessed the potential positive financial, business and operational impact arising from climate risks. Integrated the ESG aspects in the Bank's policies and procedures. Continuously develop climate-friendly products and services, while promoting sustainable investing. The Bank has begun quantifying the impacts of sustainability risks, by embedding climate considerations into its risk appetite statements and is progressively enhancing the systemisation of data capture. 	<ul style="list-style-type: none"> The process for identifying, measuring and managing climate-related risks and opportunities is defined and integrated into the existing risk management framework. The Bank has developed a Sustainability Risk Governance Framework that addresses the climate change risks that may arise as we implement our corporate strategy, policies and initiatives across the Bank. 	<ul style="list-style-type: none"> Developed metrics and targets to track and monitor progress against our sustainability strategy, including GHG emissions. Continue to refine our methodologies, including adding granularity and updating external customer and industry data, as these become available over time. Implemented a 5-year plan to upgrade and retrofit our operational facilities with EE&C measures.

Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

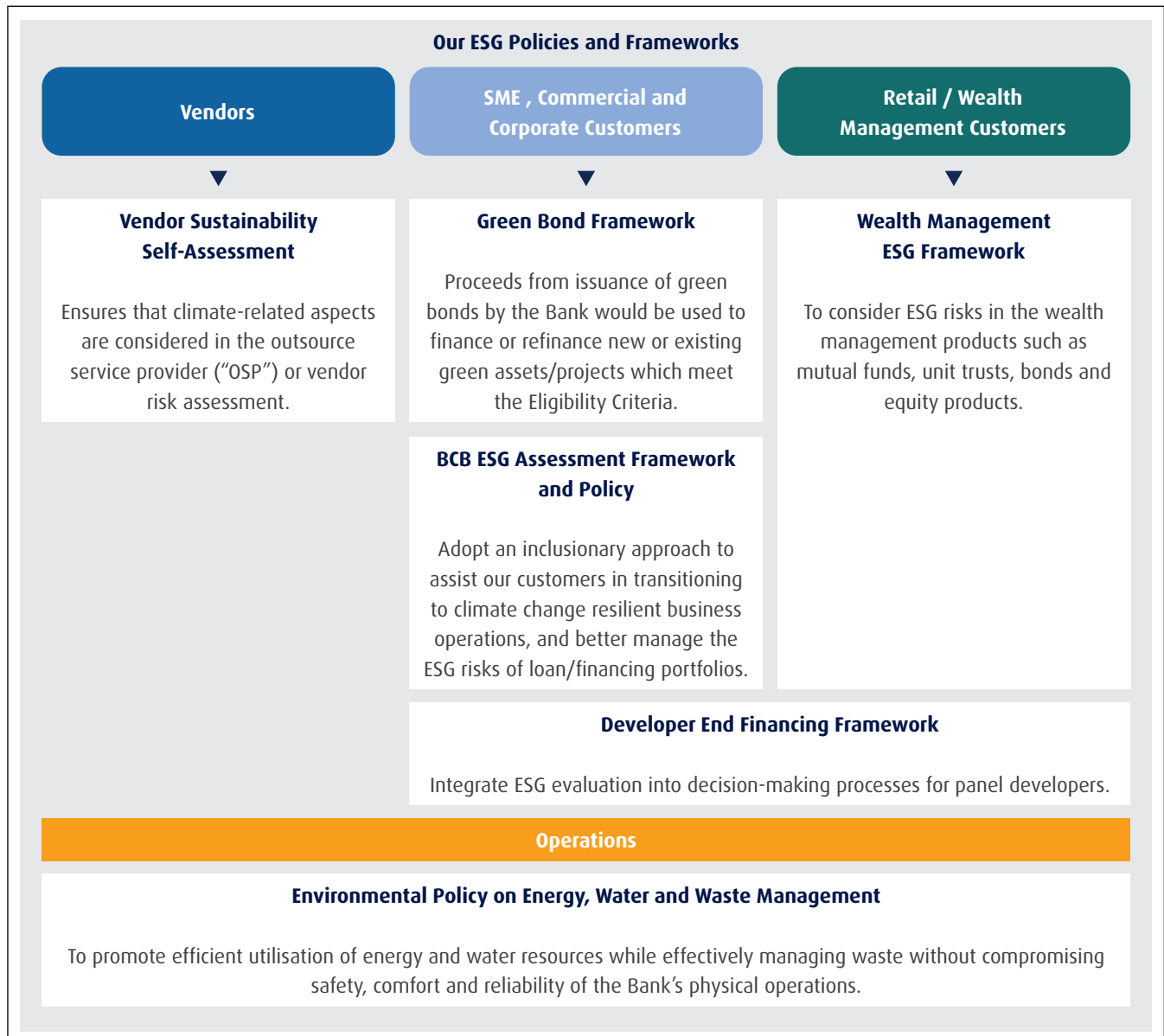
Aspect	Governance	Strategy	Risk Management	Metrics and Targets
FY2022 Highlights	<ul style="list-style-type: none"> Enhanced the governance structure and appointed respective Heads of Sustainability and Sustainability Risks. 27 sustainability-related meetings held throughout FY2022, where climate-related topics (e.g. carbon offsetting initiatives, physical risk identification and assessment) were discussed. All of our directors have knowledge and skills in corporate governance, risk management and/or Sustainability. SC, SWC and Employees' KRA is linked to sustainability and climate-related non-financial performance targets commencing FY2022. 	<ul style="list-style-type: none"> Launched Green Bond Framework to guide the Bank's bond issuance and launched first Green AT1 Bond, worth RM 900 million. Expanded green product offerings to include Solar Plus loan/financing for retail customers. Introduced Regional Wealth Management ESG Framework to guide our investment processes. 39 vendors assessed for ESG under the Vendor Sustainability Self-Assessment. Refined our lending assessment flow to systematically assess the potential ESG risks associated with property development projects and monitor their carbon footprint. Further enhanced our BCB ESG framework to have trifurcated assessment ratings for the respective environmental, social and governance components. 	<ul style="list-style-type: none"> Exploring opportunities with external service providers to develop a risk scorecard to identify our physical risks, and aim to establish a baseline, as well as targets, to meaningfully assess and measure our physical risks. 	<ul style="list-style-type: none"> Committed to achieve net zero for operational emissions by 2030 and overall emissions by 2050, aligned with Malaysia's Net Zero target by 2050. Measuring and monitoring Scope 1 and Scope 2 GHG emissions for all Malaysian operations as well as Scope 3 - business travel emissions. We are 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. Kick-started a carbon offsetting project to plant 50,000 mangrove trees in collaboration with MNS.
Related Sections	Sustainability Governance, pg 20 - 22	TCFD Strategy, pg 28 - 37 Socially Responsible Business, pg 72 - 80 Addressing Climate Impact, pg 88 - 97	Sustainability Governance, pg 20 - 22 Sustainability Risk Management, pg 23 - 27	Addressing Climate Impact, pg 88 - 97

For more information on how we have addressed the Basic and Stretch recommendations of the J3 TCFD Application Guide for Malaysian Financial Institutions, please refer to pg 104.

Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

TCFD Strategy

Aligned with our commitment to support the transition to a low carbon economy, we have begun to assess and consider climate-related risks and opportunities in our business strategy across our value chain. Guided by industry best practices, the Bank has developed and operationalised multiple frameworks and policies to incorporate ESG, including climate-related considerations, into everyday banking.



Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

Climate-related Risks

Based on our climate risk assessment, our assets and operations are exposed to physical, transition and liability risks. These risks may potentially have financial and non-financial impacts on our business and portfolio exposure.

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

 PHYSICAL RISKS		Arises from acute (event-driven) and chronic (long-term shift) climate-related events that damage property, reduce productivity and disrupt trade	
 Acute Risk	  	 Chronic Risk	 
Examples: Rising rate of extreme weather events such as floods and droughts.		Examples: Higher concentration of diseases in areas with increased temperatures.	
Financial Impact: Reduces profitability and potentially increases credit risk to lenders, inadvertently causing global supply chain issues.		Financial Impact: Rise in cost of capital and operational disruptions due to the physical damage of the facilities.	
 TRANSITION RISKS		Arises from the adjustment to a low carbon economy, including changes in public policy, legal framework, technology advancements and/or shifts in consumer & investor behaviour	
 Market Risk	 	 Policy and Legal Risk	  
Examples: <ul style="list-style-type: none"> Change in consumer sentiments and demand. Devaluation of assets such as fossil fuel reserves. Rising cost of production from higher material cost. 		Examples: <ul style="list-style-type: none"> Changes in policies and regulations, e.g. GHG emission reduction policies and mandates on the regulation of existing products and services. Legal liabilities, e.g. Penalties for involvement in illegal deforestation. 	
Financial Impact: <ul style="list-style-type: none"> Decrease in revenue due to the change in revenue mix and sources. Repricing of assets i.e. fossil fuel reserve, land and security valuation. 		Financial Impact: <ul style="list-style-type: none"> Write offs and impairments of existing corporate assets due to changes in regulations and increased litigation. Lower corporate earnings. 	
 Technology Risk	  	 Reputational Risk	  
Examples: <ul style="list-style-type: none"> Cost of transitioning to low carbon technology. Substitution of existing products and services with greener solutions. 		Examples: Shift in investor, consumer and community preferences.	
Financial Impact: <ul style="list-style-type: none"> Costs to deploy and adopt new practices and processes. Research and development expenditure in new and alternative technologies. 		Financial Impact: Rising negative perception on the Bank resulting in loss of customers, thus, reducing profitability.	

*When considering climate-related risks, HLB assesses them through the following time horizons:

Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

The Bank addresses climate-related risks and environmental degradation by embedding ESG practices into our daily business procedures and operations. Multiple layers of ESG screenings and assessments are conducted to identify all material considerations of our customers, including climate-related factors and the broader impact to the environment.


We adopt an inclusive approach whereby the Bank will guide existing high Environmental & Social (“E&S”) corporate customers towards achieving more sustainable business practices and standards, supporting them in mitigation plans and nurturing programs. We are cognisant that financial institutions play an important 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, we will continue to take proactive and pragmatic measures according to the extent to which the activities or exposures meet the climate-related risk objectives.

The E&S inherent risks of each sector are identified and classified as either “low”, “medium” or “high” risk. Customers that fall within the high E&S risk sectors will undergo E&S due diligence assessment to evaluate their ability and plans to mitigate climate-related risks that they are exposed to. As a result, we expect the customers’ rating may migrate to a “medium” or “low” risk rating over time.

Our objective is to transition our SME, commercial and corporate customers from the “high” to “medium/low” risk rating. As we have embarked on our data collection journey, this will enable the Bank to develop fit-for-purpose products and services that serve to promote sustainable business practices and models. The entire process promotes a cultural shift in making ESG a prime consideration in our credit assessment.

Potential Climate Change Financial Risks to HLB

 Market Risk	 Strategic Risk	 Liquidity Risk	 Enterprise-wide Risk
<p>Examples:</p> <ul style="list-style-type: none"> Decline in the value of securities/assets. <p>Financial Impact:</p> <ul style="list-style-type: none"> Market-To-Market (“MTM”) losses. <p>Timeline: ST MT LT</p>	<p>Examples:</p> <ul style="list-style-type: none"> Inability to transition from brown financing portfolios to green, thus, losing competitive advantage and market share to competitors. <p>Financial Impact:</p> <ul style="list-style-type: none"> Lower Market Share/ Profitability. <p>Timeline: ST MT LT</p>	<p>Examples:</p> <ul style="list-style-type: none"> Rising liquidity issues arising from customers’ inability to meet obligations. Disruption in the Bank’s cash flow. <p>Financial Impact:</p> <ul style="list-style-type: none"> Reduction of cash inflow due to customer inability to service their loan obligations. Large withdrawal of deposits to fund capital spending on low carbon equipment or to repair the damages caused by floods, for example. Reduction in liquid asset value as a result of MTM losses from investments held. <p>Timeline: ST MT LT</p>	<p>Examples:</p> <ul style="list-style-type: none"> Inadequate capital to buffer against climate-related risks and losses, which may impede the Bank’s long term business viability. <p>Financial Impact:</p> <ul style="list-style-type: none"> Lower Capital Adequacy Ratio/Core Equity Tier 1. <p>Timeline: ST MT LT</p>

*When considering climate-related risks, HLB assesses them through the following time horizons:



Short-term Risk (0 – 5 years)



Medium-term Risk (6 – 10 years)



Long-term Risk (Over 10 years)

Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

Climate-related Opportunities

The introduction and implementation of numerous initiatives assisted in the climate-related risks mitigation and adaptation process. Increased awareness of climate-related risks has led to the emergence of various new climate-related opportunities. At HLB, we are developing adaptive capacity for climate change mitigation while strengthening our ability to seize opportunities in responding towards physical and transition risks.

Greener Products, Services and Market

Aligned with transitioning consumer and investor preferences, we are developing new green and innovative products and services, as well as diversifying our business activities to become more climate-friendly. We are also exploring the increased opportunities to collaborate with local entrepreneurs as they shift to a low carbon economy.

Greener Products, Services and Market			
We offer green products and services across our customer spectrum in supporting their transition to a low carbon economy.			
	Commercial & Corporate Customers	SME Customers	Retail Customers
Green Financing	Renewable Energy Financing		Solar Plus Financing
	<ul style="list-style-type: none"> SME Solar Financing 		
Sustainable Investing	Property Mortgage		Hire Purchase
	<ul style="list-style-type: none"> Developer End Financing 		
Green Securities			Green Car Financing
<ul style="list-style-type: none"> Sustainable Green Bonds and Sukuks ESG Funds 			

RAISING CLIMATE AWARENESS

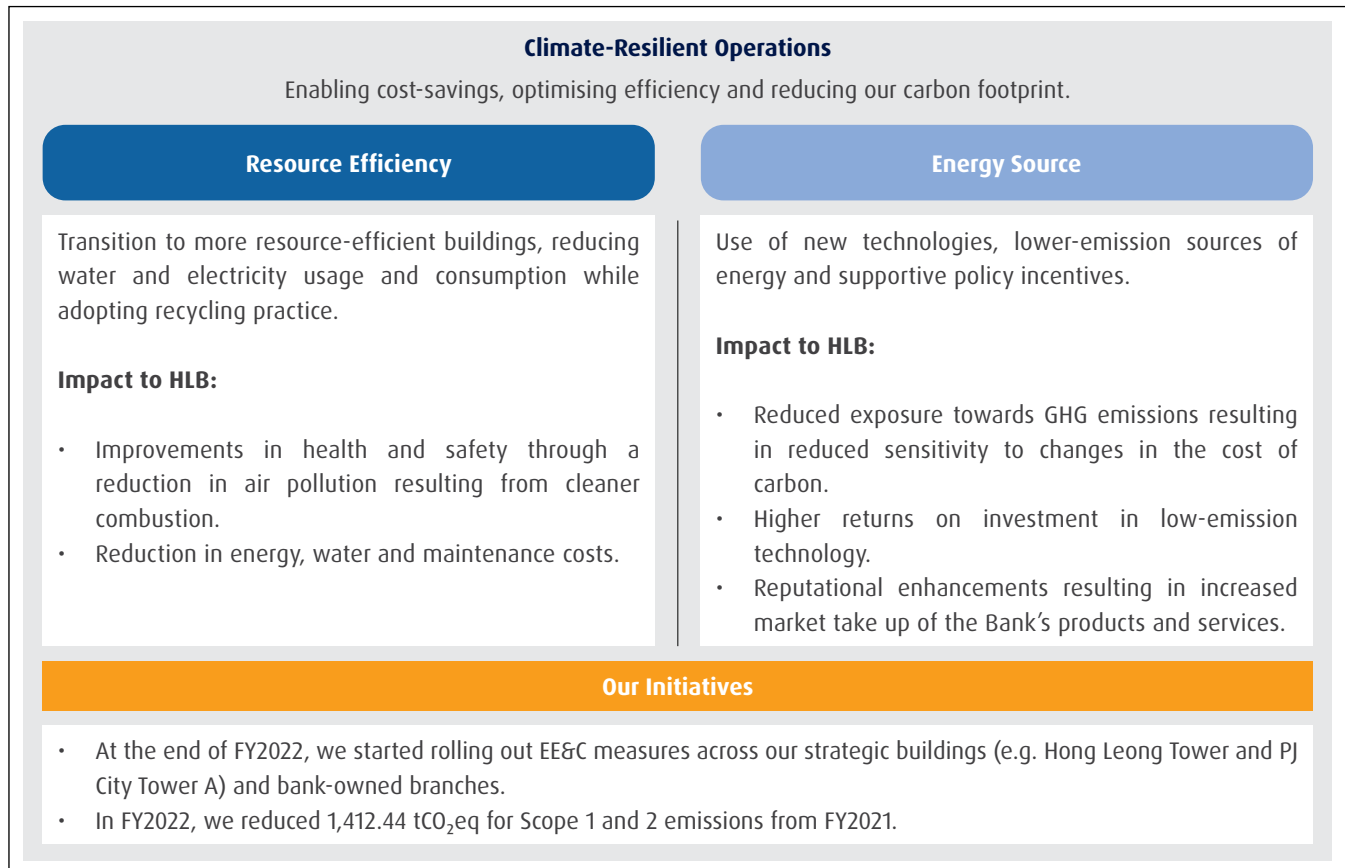
The Bank is seizing the opportunity to gain a more comprehensive understanding of the inherent risks and challenges that our borrowers are facing on the ground, as well as to better understand the appropriate measures for them to seamlessly transition. Their transition is vital and the Bank recognises that there may be companies or particular activities that may not be able to transition over time. Nevertheless, we will continue to work with customers in high risk sectors in an effort to ensure that no one is left behind, provided that we see reciprocal efforts from customers to transition to more sustainable and lower risk business models and activities.

Please refer to our Sustainability Roundtable section to learn more on how we engage with our customers on ESG issues, at pg 76.

Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

Climate-Resilient Operations

Internally, we are also working towards transitioning towards a low carbon operations model through our carbon reduction and offsetting measures, while leveraging digital innovation and optimising our resource usage across our operations.



Scenario Analysis

Climate-related scenario analysis portrays the Bank's level of resilience to climate-related risks. The results of these exercises will help us establish preventive or corrective actions that will help the Bank respond to the risks imposed by these climate-related risks. In FY2022, there have been numerous guidelines and policies circulated by regulators to prompt organisations to prioritise embedding climate-related aspects into their scenario analysis exercise.

The Bank has considered climate-related risk aspects within its scenario analysis exercise, examples of which are the rising of global temperature and its impact on our loan/financing portfolios. We adopt preventive or corrective actions to mitigate these undue risks under simulated stresses, which includes the formulation of ESG frameworks or policies, from both business and operational perspectives, to ensure that the Bank is equipped with the necessary strategies and mitigation plans to manage climate-related risks.

In efforts to enhance its climate-related strategies and initiatives, the Bank is considering the application of reference scenarios published by the Network for Greening the Financial System ("NGFS") as a first step towards quantifying climate risks and uncertainties under various hypothetical scenarios.

We are cognisant of the challenges in translating transition and physical impact to financial risks, as well as the gaps in mapping scenarios to economic sectors, ensuring coherence and quantifying uncertainty. However, we make an attempt to quantify and apply ESG stress within our Stress Testing exercise, and are in the initial stage of determining and collecting data to determine the respective physical and transition risks.

Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

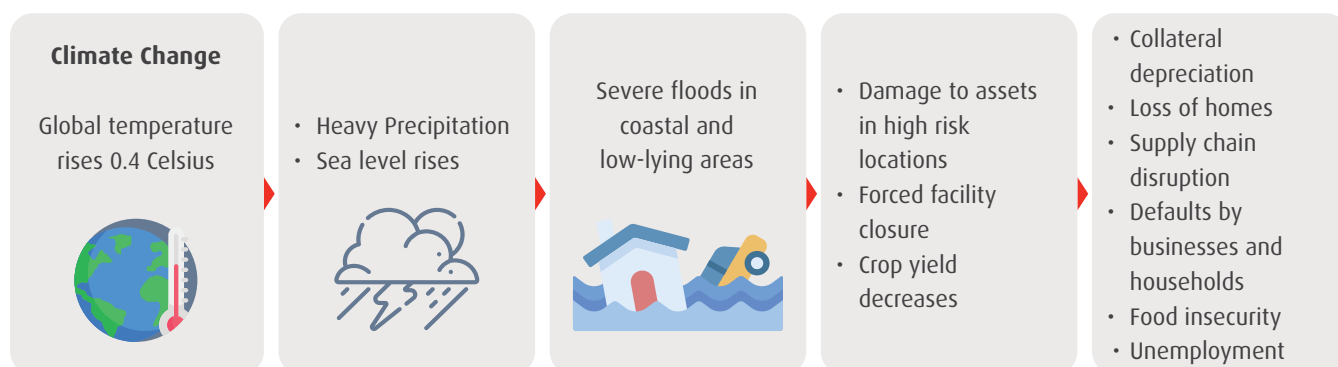
Guidance within NGFS, Intergovernmental Panel on Climate Change (“IPCC”) and International Energy Agency (“IEA”) is being adapted both globally and domestically. While application of its content is imminent, the availability of information and systemisation of data collection will take time. The Bank anticipates sufficient levels of granularity to be feasible by 2025-2026.

In 1H FY2022, a scenario analysis exercise was conducted whereby the risks emanating from the Bank’s Higher ESG Risk Corporate Sectors were assessed using the Herfindahl-Hirschman Index (“HHI”) measurement to quantify ESG concentration risks. The ESG Credit Concentration Risk takes into account customers that are active and performing who are assessed as High E&S risk.

Based on the HHI recommendations, the HHI Granularity Adjustment was calibrated for credit concentration risk through four concentration levels as depicted below:

Concentration Level	Lower Bound	Upper Bound	Granularity Adjustment (“GA”)
Very Low	0.000	≤0.001	2%
Low	>0.001	≤0.0010	4%
Medium	>0.010	≤0.040	6%
High	>0.040	≤1.000	8%

A lower concentration level was derived at 2% for HLBB and 4% for HLISB. This illustrates that an additional 2% (HLB) and 4% (HLISB) would be applied on the economic capital charged for our corporate customers respectively.



In the event that the temperatures rise by 2 degrees Celcius, there may be significant impact to the environment, community, customers we do business with and the ecosystem. Negative consequences such as the following, may arise:

- **Severe Heatwave/Drought** – Extreme El Nino events may occur, 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 the year 2100. The repercussions of this occurrence will eventually lead to flooding in coastal areas, soil contamination with salt, and loss of aquatic, flora and bird 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 by the Bank where new financial underwriting across business and consumer banking is assessed against said climate change risks.

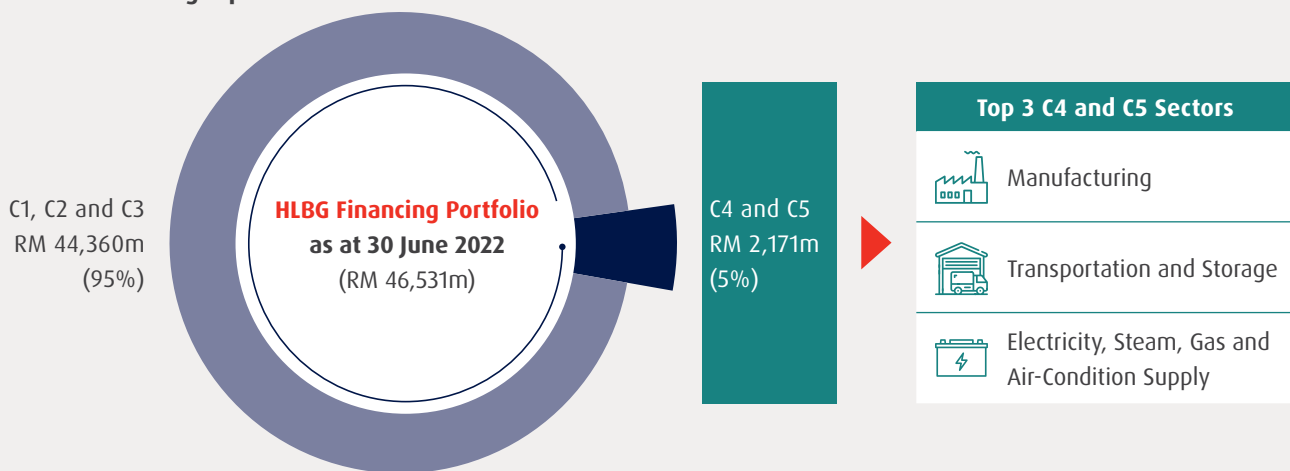
To mitigate the undue risks under simulated stresses, the Bank takes preventive or corrective measures, including the formulation of ESG frameworks or policies to ensure that the Bank is well-equipped with the necessary strategies or mitigation plans to manage climate-related risks. Moving forward, the Bank aims to integrate global temperature rises in future stress test exercises as it could lead to negative consequences such as collateral depreciation, stranded assets, supply chain disruption, loss of income, and defaults.

Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

Green Portfolio Exposure

The Bank has participated in the inaugural BNM CCPT regulatory reporting referencing June FY2022 position for both HLB and HLISB. The BNM CCPT classification process has assisted the Bank to map customers based on our internal classification of their risk profile of low, medium or high risk to the BNM CCPT C1-C5 classification of economic activities. The BNM CCPT publication has guided the Bank in classifying our exposures more systematically in the areas of our core business operations through our business and corporate banking segment, property mortgages and auto financing as well as our financial investments within the market. In line with Sustainability Risk's roles and responsibilities, the division has coordinated and performed a validation exercise on this submission to ensure the level of accuracy of the reports for HLB and HLISB separately.

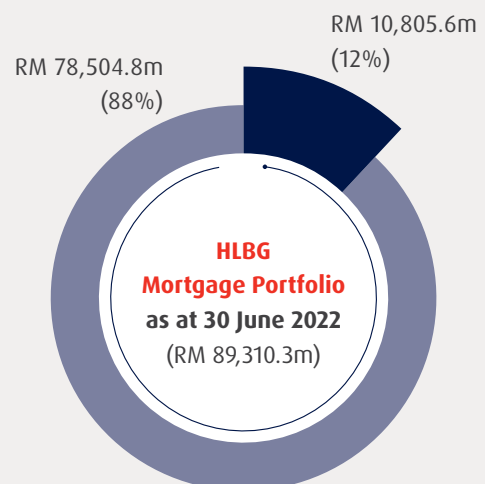
Business Banking Exposure



- The Bank's internal classifications of E&S risk sectors, which translates to CCPT C1 to C3, accounts for 95% (RM 44,360m) of the Bank's FY2022 business banking portfolio.
- Based on the BNM CCPT classifications for economic activities, C4 and C5 are activities that do not display any commitment or are not serious in their commitment to remediate the harm identified and/or do not undertake any initiative to transition to more sustainable practices. The Bank has internally classified the high E&S risk sectors customers, which falls under C4 and C5 (RM 2,171m, 5%), and they will be constantly engaged for appropriate measures to transition over coming years, in line with the Bank's efforts to nurture our customers towards sustainable business operations.
- The top 3 sectors (Manufacturing, Transportation and Storage and Electricity, Steam, Gas and Air-Condition Supply) of C4 and C5 customers make up about 88% of the RM 2,171m credit exposure.

Property Mortgages Exposure

- The Bank's transition efforts towards a greener or more sustainable property mortgage portfolio is evident through higher proportions of green and/or sustainable loans/financing against our existing portfolio.
- The loan/financing portfolio accounts for RM 89,310.3m of the Bank's overall portfolio with green exposures accounting for RM 10,805.6m (12%).
- Given the new normal towards a more sustainable business model, the majority of property developers are now progressively moving towards implementing sustainability in their development projects.
- However, smaller developers generally do not consider sustainable development as a priority due to high development costs as well as lack of expertise and technology to meet the green/sustainable status. As part of our efforts to improve knowledge and know-how, we will engage these developers in our sustainability education and training programmes.

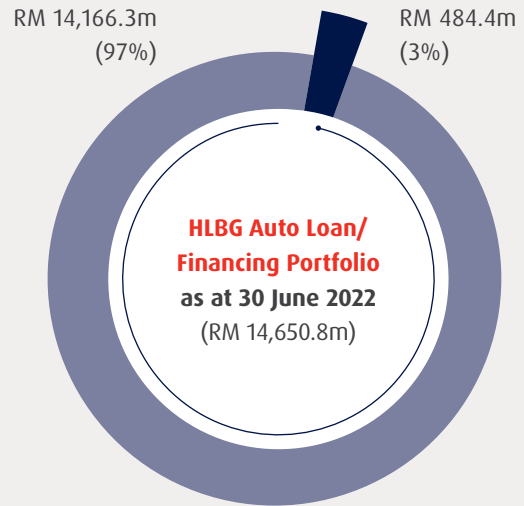


Task Force on Climate-related Financial Disclosures (TCFD) Executive Summary

Hire Purchase Exposure

Note: Hybrid Electric Vehicles (“HEV”), Battery Electric Vehicles (“BEV”), Plug-in Hybrid Electric Vehicles (“PHEV”) and Electric Vehicles (“EV”)

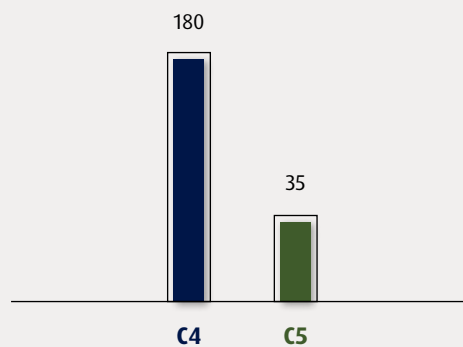
- It is observed that the Bank’s market share in the new hybrid and EV segment are increasing.
- As at 30 June 2022, the Bank financed a total of RM 484.4m (3%), comprising of 2,636 new, 2,870 used and 27 reconditioned vehicles (Green/Sustainable vehicles HEV, BEV, PHEV, EV).
- With the increase in demand for greener or more sustainable products, the Bank is committed to promote greater green car financing to continue to raise the numbers of hire purchase’s total financing year-on-year.



Global Markets Exposure

- As at 30 June 2022, our Global Market exposure is mainly concentrated within the BNM CCPT classifications of C1 to C3 of RM 9,506.6m (>99% against total bond holdings).
- The C4 and C5 classifications for financial investment at fair value through other comprehensive income (“FVOCI”) are concentrated within two sectors namely, the Electricity, Gas and Water (RM 180m), as well as Mining and Quarrying (RM 35m). Collectively, they make up less than 0.01% of our balance sheet.

HLBG C4 and C5 Financial Investments as at 30 June 2022 (RM’mil)



Note: Financial investments illustrated above includes Financial Investments at fair value through other comprehensive income (FVOCI) and Financial Investments at amortised cost. The figures in the table excludes Malaysian government securities and its equivalent; and hence only includes private debt securities.

Appendix:

TCFD Content Index

TASKFORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)

TCFD Recommendations	TCFD Requirement	Page Reference	Comments
Governance			
G1 (Basic)	Board Oversight of Sustainability and Climate-related Matters	pg 20-21, 23-24	The BOD is responsible for the establishment and effective implementation of sustainability governance structure and frameworks. BRMC and BARMC support the BOD to oversee the management of the Bank's sustainability strategy and ESG risks.
G2 (Basic)	Sustainability Governance Structure Including Climate-Related Matters at the Management Level	pg 23-24	<p>HLB has the Sustainability Risk Governance Structure which consists of the three lines of defence including business units, group risk management and group internal audit.</p> <p>The SC is in place to support BRMC, BARMC and BOD by overseeing the strategic direction of the Bank's approach to sustainability.</p>
G3 (Basic)	Sustainability and Climate-related Board Credentials	pg 21-22	The BOD has diversified skills and expertise that contribute to achieving the Bank's ESG priorities.
G4 (Basic)	Sustainability and Climate-Related Training	pg 21	The Bank has conducted in-house training for Board and Senior Management. Sustainability training is conducted for on-boarding sessions for new hires.
G5 (Basic)	Sustainability and Climate-Related Discussions in Board Meetings	pg 21	Frequency of sustainability and climate-related meetings are disclosed in the Sustainability Report.
G6 (Stretch)	Sustainability/Climate-linked Remuneration	pg 62	<p>The KRA's of the Bank's Senior Management includes sustainability and climate-related targets.</p> <p>Employees' KRA is linked to sustainability and climate-related non-financial performance targets commencing FY2022.</p>
G7 (Stretch)	Separate Committee on Sustainability and Climate-related Matters	pg 20-21	The SC and SWC are both responsible for the implementation of sustainability strategies and in managing and mitigating identified ESG risks which include physical and transition risks.
Strategy			
S1 (Basic)	Identification of Climate-related Risks and Opportunities	pg 28-34	<p>The process for identifying, measuring and managing climate-related risks and opportunities is defined and integrated into the existing risk management framework.</p> <p>https://www.hlb.com.my/en/personal-banking/about-us/sustainability.html</p>
S2 (Basic)	Impact of Climate-related Risks and Opportunities	pg 31-34	The climate-related risks identified may potentially have financial and non-financial impacts on our business and portfolio exposure.

Appendix: TCFD Content Index

TCFD Recommendations	TCFD Requirement	Page Reference	Comments
Strategy (Cont'd)			
S3 (Basic)	Strategy and Risk Appetite on Climate-related Risks and Sustainability Measures	pg 25, 28-29, 79	<p>Qualitative ESG considerations have been incorporated as part of the institution's Risk Appetite Statement (RAS).</p> <p>This elevation of ESG risk is a key step forward for us, as it ensures that the decisions made throughout the organisation will consider ESG risks which will innately support our sustainability efforts.</p>
S4 (Stretch)	Scenario Analysis as an Opportunity to Improve Strategic Resilience and Explore Climate Vulnerabilities	pg 34-36	The Bank has considered climate-related risk aspects within its scenario analysis exercise.
Risk Management			
R1 (Basic)	Process for Identifying and Assessing Climate-related Risks	pg 26, 28-29, 31-32	<p>HLB has disclosed its process for identifying and assessing climate-related risks through our frameworks and policies.</p> <p>https://www.hlb.com.my/en/personal-banking/about-us/sustainability.html</p>
R2 (Basic)	Process for Managing Climate related Risks	pg 26, 32-34	HLB adopts a bifurcated risk approach that illustrates risk management tools used in our management process of ESG and climate-related risk.
R3 (Basic)	Process for Integrating (i) Process for Identifying and Assessing Climate-related Risks and (ii) Process for Managing Climate-related Risks; into Overall Risk Management.	pg 28-32	The Bank has in place processes of identifying, assessing and managing climate-related risks.
R4 (Stretch)	Process for Identifying and Assessing Climate-related Risks	pg 28-29, 31-32, 73-76	<p>The Risk Management Framework outlines the measurement and management of the prioritised risks.</p> <p>Corporate Loan/Financing Portfolio Exposure identified using our E&S internal classification.</p> <p>The Bank has embedded our BCB ESG Policy and Assessment Framework within our BCB Credit Policy, to improve the Bank's assessment of and control over ESG lending and financing risks.</p> <p>Framework can be found in our HLB Corporate website: https://www.hlb.com.my/en/personal-banking/about-us/investor-relations/sustainability-report.html</p>

Appendix: TCFD Content Index

TCFD Recommendations	TCFD Requirement	Page Reference	Comments
Risk Management (Cont'd)			
R5 (Stretch)	Process for Managing Climate-related Risks	pg 28-29, 31-32, 73-76	<p>The Bank has embedded our BCB ESG Policy and Assessment Framework within our BCB Credit Policy, to improve the Bank's assessment of and control over ESG lending and financing risks.</p> <p>Framework can be found in our HLB Corporate website: https://www.hlb.com.my/en/personal-banking/about-us/investor-relations/sustainability-report.html</p>
R6 (Stretch)	Process for Integrating (i) Process for Identifying and Assessing Climate-related Risks and (ii) Process for Managing Climate-related Risks; into Overall Risk Management.	pg 28-32	<p>Have embedded climate-related aspects into our policies and frameworks which can be found in our HLB Corporate website: https://www.hlb.com.my/en/personal-banking/about-us/sustainability.html</p> <p>BCB Exclusion List: https://www.hlb.com.my/content/dam/hlb/my/images/About_Us/sustainability/hlb-bcb-esg-governance-policy.pdf</p>
Metrics & Targets			
M1 (Basic)	Key Climate-related Metrics	pg 28-29	Measuring and monitoring Scope 1, Scope 2 and Scope 3 (business travel emissions) GHG emissions for all Malaysian operations.
M2 (Basic)	Key Climate-related Targets	pg 28-29	HLB has set reduction targets to ensure that the Bank makes meaningful progress towards our goal of becoming carbon neutral.
M3 (Stretch)	Key Climate-related Metrics	pg 28-29	<p>The Bank measures and monitors Scope 3 GHG emissions.</p> <p>In order to work towards the recommendations within the Stretched targets, the Bank will progressively enhance its methodologies and data collection which will provide a basis to establish metrics that can be relied upon.</p>

SIRIM Assurance Statement



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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 Hong Leong Bank Sustainability Report 2022. 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 statement. This was established through checking and verifying claims made in the report. The verification by SIRIM QAS International covered all sustainability-related activities which had been included in Hong Leong Bank Sustainability Report 2022. Further details provided in Appendix 1 of this statement.

The management of Hong Leong Bank was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this assurance 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 and Annual Report 2022.

Verification team

The verification team from SIRIM QAS International consists of:

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

Methodology

The verification process was carried out by SIRIM QAS International in August 2022. It involved the following activities:

- Reviewing and verifying the accuracy of data collected from various sources and that are presented in the statement;
- 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 Hong Leong Bank Sustainability Report and its overall presentation against the BURSA Sustainability Reporting Guide, and other relevant frameworks such as UN-SDGs and GRI Standards requirements.



SIRIM

Assurance Statement

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 contents contained in the report. The Sustainability Report was subsequently reviewed and revised by Hong Leong Bank in response to the findings of the verification team. It can be confirmed that changes that have been incorporated into the final version of the report has satisfactorily addressed all 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 Hong Leong Bank's Annual Report 2022;
- The verification was designed to provide limited assurance in reference to International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, irrespective of the organization's ability to achieve its objectives, targets or expectations on sustainability-related issues;
- The Hong Leong Bank corporate office, at Menara Hong Leong, Bukit Damansara, was visited as part of this assurance engagement. The verification process did not include physical inspections of any of Hong Leong Bank's operating sites; and,
- The verification team did not verify any contractor or third-party data.

Conclusion

Based on the scope of the assessment process and evidence obtained, the following represents SIRIM QAS International's opinion:

- The level of accuracy of data included in Hong Leong Bank Berhad Sustainability Report 2022 is fairly stated;
- The level of sustainability performance information presented in the report was found to be properly prepared;
- The personnel responsible were able to demonstrate the origin(s) and interpretation of data contained in the report;
- The sustainability report provides a reasonable and balanced presentation of the sustainability performance Hong Leong Bank Berhad.

Statement Prepared by:



AERNIDA BINTI ABDUL KADIR

Team Leader
Management System Certification Department
SIRIM QAS International Sdn. Bhd.
Date: 30 August 2022

Statement Approved by:



MOHD HAMIM BIN IMAM MUSTAIN

Senior General Manager
Management System Certification Department
SIRIM QAS International Sdn. Bhd.
Date: 2 September 2022

Note 1:

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 (2 September 2022).

Hong Leong Bank Berhad

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*As part of Hong Leong Bank's support for environmental sustainability,
this Sustainability Report is printed on Forest Stewardship Council (FSC) certified paper.*