

Corporate Governance Overview, Risk Management & Internal Control Statement

“Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards promoting business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value while taking into account the interest of other stakeholders.”

~ Finance Committee on Corporate Governance

The Board of Directors (“Board”) is pleased to present this statement with an overview of the corporate governance (“CG”) practices of the Group which supports the three key principles of the Malaysian Code on Corporate Governance (“MCCG”) 2021 namely board leadership and effectiveness; effective audit and risk management; and integrity in corporate reporting and meaningful relationship with stakeholders.

The CG Report 2022 of the Company in relation to this statement is published on the Company’s website, www.hlfg.com.my (“the Company’s Website”).

The Board also reviewed the manner in which the Bank Negara Malaysia’s (“BNM”) policy document on Corporate Governance (“BNM CG Policy”) is applied in the Group, where applicable, as set out below.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference (“TOR”) to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed periodically by the Board. The Board Charter is published on the Company’s Website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as

financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Company is managed by the President & Chief Executive Officer (“CEO”) who is assisted by the management team. The CEO and his management team are accountable to the Board for the performance of the Company. In addition, the Board has established Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit and Risk Management Committee (“BARMC”). The Nomination Committee (“NC”) is delegated the authority to, inter alia, assess and review Board, Board Committees and CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to the Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of the Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the CEO. This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.

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A. ROLES AND RESPONSIBILITIES OF THE BOARD (continued)

The Chairman leads the Board and ensures its smooth and effective functioning.

The CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Group as well as to monitor progress on implementation of Key Performance Areas (“KPAAs”) and strategic developments.

The CEO’s main responsibility is to work with the operating managers to develop strategic business plans and to set out the KPAAs for the operating managers as well as to focus on creating value through deployment of the assets in the Group and to seek optimal use of the capital resources available to him.

Independent Non-Executive Directors (“INEDs”) are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of INEDs’ independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement in this Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia (“CCM”), which has been adopted by the Board and published on the Company’s Website. In addition, the Company also has a Code of Conduct and Ethics for Employees that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Company and the said policy is published on the Company’s Website. It provides a structured channel for all employees of the Company and any other persons providing services to, or having a business relationship with the Company, to raise any concerns about any improper conducts, or wrongful acts involving the Company.

B. BOARD COMPOSITION

The Board currently comprises seven (7) Directors. The seven (7) Directors are made up of one (1) Executive Director and six (6) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in this Annual Report.

The Company is guided by the BNM CG Policy and the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa”) in determining its board composition. The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has seven (7) Directors, of whom four (4) are women directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2022, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group’s strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

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C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the discharge of its duties.

(A) BARMC

The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year and explanation on how the BARMC had met its responsibilities are set out in the BARMC Report in this Annual Report.

The BARMC's functions and responsibilities are set out in the TOR which is published on the Company's Website.

(B) NC

The NC was established on 30 October 2008. The composition of the NC is as follows:

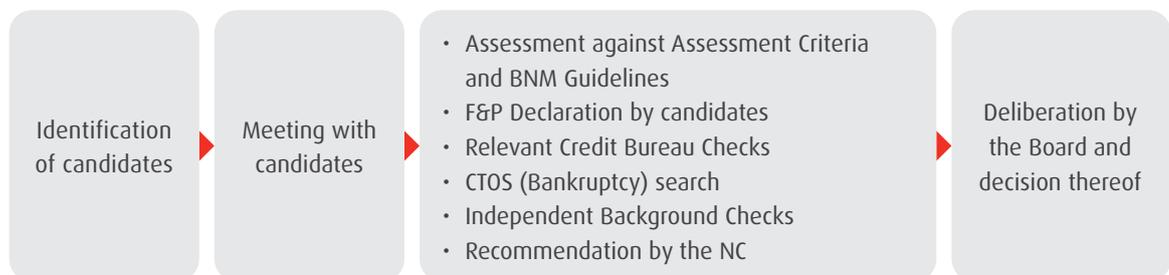
- YM Raja Noorma binti Raja Othman (Chairman)
(Appointed as NC Chairman with effect from 14 January 2022)
- Mr Ho Heng Chuan
- Ms Emily Kok
(Appointed as NC member with effect from 30 June 2022)

The NC's functions and responsibilities are set out in the TOR which is published on the Company's Website.

The Company has in place a Fit and Proper ("F&P") Policy as a guide for the following process and procedure for assessment of (i) new appointments and re-appointments of Chairman, Directors and CEO, (ii) appointment of Board Committee members, and (iii) annual F&P assessment of Chairman, Directors and CEO, and the criteria and guidelines used for such assessments. Upon the approval of the Board, an application on the prescribed forms will be submitted to BNM for approval in respect of new appointments and re-appointments.

(i) New appointments

The nomination, assessment and approval process for new appointments is as follows:



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C. BOARD COMMITTEES (continued)

(B) NC (continued)

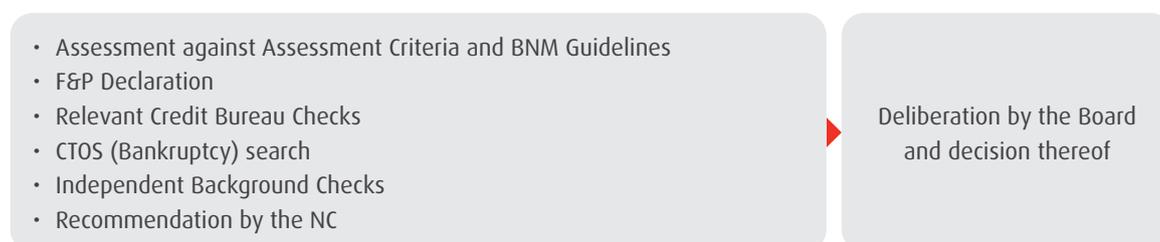
(i) New appointments (continued)

In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and the mix of expertise and experience of the Board as a whole and having regard to the candidates' attributes, qualifications, management, leadership, business experience and their F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Company will also conduct independent background checks to verify the information disclosed in the F&P Declarations. The Company has taken steps to build and maintain a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases in its search for suitable Board candidates.

In the case of CEO, the NC will take into account the candidate's knowledge and experience in the industry, market and segment. The NC will also consider the candidate's F&P Declaration in line with the standards required under the relevant BNM Guidelines.

(ii) Re-Appointments

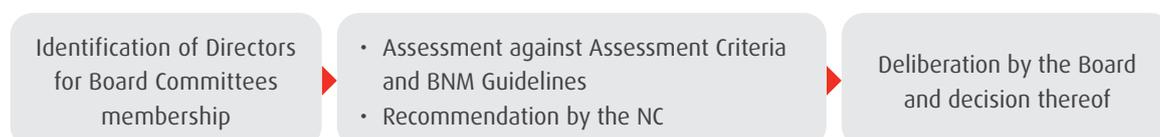
The assessment and approval process for re-appointments is as follows:



For re-appointments, the Chairman, Directors and CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and time commitment. The NC will also consider the results of the Annual Board Assessment (as defined below), their contributions during the term of office, attendance at Board meetings, F&P Declarations in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines and for Independent Directors, their continued independence. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

(iii) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:



The assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

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C. BOARD COMMITTEES (continued)

(B) NC (continued)

(iv) Annual F&P Assessment

The annual F&P assessment process is as follows:



A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual Director on an annual basis (“Annual Board Assessment”) in conjunction with the annual F&P assessment of Chairman, Directors and CEO per BNM Guidelines. Directors are required to complete the F&P Declaration in respect of their probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. Independent background checks will also be conducted to verify the information disclosed in their F&P Declarations.

The NC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Chairman, Directors and CEO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one year of service.

Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-a-vis the complexity, size, scope and operations of the Company; the core skills, competencies and experience of the Directors; and the Board’s integrity, competency, responsibilities and performance. The assessment criteria for Board Committees include the effectiveness of the respective Board Committees’ composition in terms of mix of skills, knowledge and experience to carry out their respective roles and responsibilities in accordance with the Board Committees’ TOR and the contribution of the Board Committee members. Each individual Director is assessed on, inter alia, the effectiveness of his/her competency, expertise and contributions. The skills, experience, soundness of judgment as well as contributions towards the development of business strategies and direction of the Company and analytical skills to the decision-making process are also taken into consideration.

For management succession planning, it has been embedded in the Group’s process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

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C. BOARD COMMITTEES (continued)**(B) NC (continued)**

During the financial year ended 30 June 2022 (“FY2022”), four (4) NC meetings were held and the attendance of the NC members were as follows:

| Member | Attendance |
|--|------------|
| YBhg Dato’ Noorazman bin Abd Aziz ⁽¹⁾ | 2/3 |
| YBhg Tan Sri Quek Leng Chan ⁽²⁾ | 4/4 |
| Mr Ho Heng Chuan | 4/4 |
| YM Raja Noorma binti Raja Othman ⁽³⁾ | 1/1 |
| Ms Emily Kok ⁽⁴⁾ | - |

⁽¹⁾ Resigned as NC Chairman with effect from 14 January 2022.

⁽²⁾ Resigned as NC member with effect from 30 June 2022.

⁽³⁾ Appointed as NC Chairman with effect from 14 January 2022.

⁽⁴⁾ Appointed as NC member with effect from 30 June 2022.

There was no NC meeting held for the FY2022 subsequent to the appointment of Ms Emily Kok.

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2022:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Company. The NC will continue to maintain women participation on the Board in line with the MCGG;
- Considered and assessed the position of Independent Directors of the Company and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;
- Reviewed the F&P Declarations by Directors and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors and Company Secretary met the requirements as set out in BNM policy document on F&P Criteria;
- Reviewed the term of office and performance of the BARMC and each of its members in accordance with the TOR of BARMC and was of the view that the BARMC and each of its members had carried out their duties in accordance with the BARMC TOR for the periods under review;
- Reviewed the appointment and re-appointment of Directors in accordance with the F&P Policy, BNM CG Policy and MMLR and recommended to the Board for consideration and approval;
- Reviewed the composition of the Board Committees in accordance with the MCGG and recommended revisions to the Board Committees for the Board’s consideration and approval;
- Assessed potential candidates to fill vacancy(ies) in the Board and Board Committees and recommended to the Board for consideration and approval; and
- Considered the re-election of Directors who are due for retirement at the Annual General Meeting (“AGM”) pursuant to the Constitution of the Company.

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C. BOARD COMMITTEES (continued)

(C) REMUNERATION COMMITTEE (“RC”)

The RC was established on 30 October 2008. The composition of the RC is as follows:

- Mr Ho Heng Chuan (Chairman)
(Appointed as RC Chairman with effect from 14 January 2022)
- Ms Chong Chye Neo
- Ms Emily Kok
(Appointed as RC member with effect from 30 June 2022)

The RC’s functions and responsibilities are set out in the TOR which is published on the Company’s Website.

During the FY2022, three (3) RC meetings were held and the attendance of the RC members were as follows:

| Member | Attendance |
|--|------------|
| YBhg Dato’ Noorazman bin Abd Aziz ⁽¹⁾ | 1/2 |
| YBhg Tan Sri Quek Leng Chan ⁽²⁾ | 3/3 |
| Ms Chong Chye Neo | 3/3 |
| Mr Ho Heng Chuan ⁽³⁾ | 1/1 |
| Ms Emily Kok ⁽⁴⁾ | - |

⁽¹⁾ Resigned as RC Chairman with effect from 14 January 2022.

⁽²⁾ Resigned as RC member with effect from 30 June 2022.

⁽³⁾ Appointed as RC Chairman with effect from 14 January 2022.

⁽⁴⁾ Appointed as RC member with effect from 30 June 2022.

There was no RC meeting held for the FY2022 subsequent to the appointment of Ms Emily Kok.

The Group’s remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group’s annual plan and budget.

The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.

The RC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group’s Human Resources Manual, which are reviewed from time to time to align with market/industry practices. INEDs of the Company are paid fixed annual director fees, Board Committee fees and meeting allowance for each Board and Board Committee meeting attended. The remuneration of INEDs is recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM, and payable in cash to INEDs upon approval of the shareholders of the Company.

The detailed remuneration of each Director during the FY2022 is as set out in Note 41 of the Audited Financial Statements in this Annual Report.

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C. BOARD COMMITTEES (continued)

(C) REMUNERATION COMMITTEE ("RC") (continued)

Remuneration

The remuneration strategy of Hong Leong Financial Group ("HLFG") supports and promotes a high performance culture to deliver HLF's Vision to be an integrated financial services group that consistently meets its customers' needs. It also forms a key part of our Employer Value Proposition with strong values, high integrity, clear sense of responsibility, high ethical standards and the right behaviour.

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

The remuneration framework also reinforces a strong internal governance on performance and remuneration of control functions, which are measured and assessed independently from business units/ functions they support to avoid any conflict of interests. The framework stipulates that for effective segregation, these staffs will be appraised principally based on achievement of their control objectives.

Remuneration Process

The remuneration process includes strict adherence to regulatory requirements and active oversight by the Board where the remuneration of the CEO, Senior Management Officers and other material risk takers are reviewed and approved by the RC and Board annually. "Senior Management Officers" in this context refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Company and any person who assumes primary or significant responsibility for key control functions of the Company. "Other material risk taker" refers to an officer who is not a member of Senior Management Officers of the Company and who can materially commit or control significant amounts of the Company's resources or whose actions are likely to have a significant impact on the Company's risk profile.

The Board maintains and regularly reviews a list of officers who fall within the definition of "Senior Management Officers" and "other material risk takers". For the FY2022, there were no "other material risk takers" identified for the Company.

Role of BARMC in remuneration matters

BARMC is tasked to review Management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the RC.

Deferred Compensation and Clawbacks

Variable bonus awards for CEO, Senior Management Officers and other material risk takers in excess of a certain thresholds will be deferred over a period of time. The clawback mechanism is introduced to ensure excessive risk taking behaviour of staff is minimised and that the system does not induce excessive risk taking and sufficient control is in place to ensure sustainable business achievements in the long-term. Periodic reviews as well as post-implementation reporting to the BARMC are carried out to examine the effectiveness of the schemes in driving the right behaviours in achieving business goals and that there are no adverse risk elements in the approved schemes. The clawbacks mechanism is triggered when there are non-compliances to regulations and policies and where Management deemed necessary due to achievements of performance targets that are not sustainable.

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C. BOARD COMMITTEES (continued)**(C) REMUNERATION COMMITTEE (“RC”) (continued)**

The remuneration of the CEO and Senior Management Officers of the Company for FY2022 is shown in the tables below:

i) CEO

| NAME | CATEGORY | CASH (RM) | SHARES (RM) | TOTAL (RM) |
|----------------|------------------------------|--------------|----------------|---------------|
| Tan Kong Khoon | Fixed remuneration | 3,240,000 | - | 3,240,000 |
| | Variable remuneration | | | |
| | 1) Non-deferred | 4,683,400 | - | 4,683,400 |
| | 2) Deferred | 2,302,600 | 2,296,007* | 4,598,607 |

ii) Senior Management Officers (including CEO)

| | No. of officers received | Unrestricted (RM) | Deferred (RM) | Total amount of Outstanding deferred remuneration as at 30.6.2022 (RM) | Total amount of Outstanding deferred remuneration paid out (vested) in FY2022 (RM) |
|-------------------------------------|-----------------------------|----------------------|------------------|--|---|
| Fixed Remuneration | | | | | |
| Cash-based | 4 | 5,299,200 | - | - | - |
| Shares and share-linked instruments | - | - | - | - | - |
| Other | - | - | - | - | - |
| Variable Remuneration | | | | | |
| Cash-based | 4 | 5,362,030 | 2,371,770 | 2,371,770 | 2,820,308 |
| Shares and share-linked instruments | 2 | - | 8,610,003* | 5,739,990* | 2,870,013* |
| Other | - | - | - | - | - |

Note:

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

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C. BOARD COMMITTEES (continued)**(D) GROUP BOARD INFORMATION AND TECHNOLOGY COMMITTEE (“GBITC”)**

The GBITC was established on 29 July 2020 to jointly support the Boards of Hong Leong Financial Group Berhad, Hong Leong Investment Bank Berhad, Hong Leong Assurance Berhad and Hong Leong MSIG Takaful Berhad (collectively “HLFG Group of Companies”) in discharging the following responsibilities:

1. Oversee technology and cyber security related matters.
2. Facilitate discussions amongst entities of the development in digital trends, to rationalise practices and policies and where possible, to seek consistent practices across entities.
3. Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
4. Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM Risk Management in Technology (“RMiT”) Policy.

The composition of the GBITC comprises representatives from HLFG Group of Companies as follows:

- Ms Chong Chye Neo (Chairman)
- YM Raja Noorma binti Raja Othman
- YBhg Dato’ Ng Wan Peng
(Appointed as GBITC member with effect from 30 June 2022)
- YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah
(Appointed as GBITC member with effect from 30 June 2022)

The GBITC’s functions and responsibilities are set out in the TOR which is published on the Company’s Website.

During the FY2022, seven (7) GBITC meetings were held and the attendance of the GBITC members were as follows:

| Member | Attendance |
|---|------------|
| Ms Chong Chye Neo | 7/7 |
| YM Raja Noorma binti Raja Othman | 7/7 |
| Ms Shalet Marian ⁽¹⁾ | 7/7 |
| Encik Zulkiflee bin Hashim ⁽¹⁾ | 7/7 |
| YBhg Dato’ Ng Wan Peng ⁽²⁾ | - |
| YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah ⁽²⁾ | - |

⁽¹⁾ Resigned as GBITC member with effect from 30 June 2022.

⁽²⁾ Appointed as GBITC member with effect from 30 June 2022.

There was no GBITC meeting held for the FY2022 subsequent to the appointment of YBhg Dato’ Ng Wan Peng and YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah.

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C. BOARD COMMITTEES (continued)

(D) GROUP BOARD INFORMATION AND TECHNOLOGY COMMITTEE (“GBITC”) (continued)

The GBITC is a platform for the sharing of knowledge and experience on technology related matters with subject matter experts from the various group entities. In discharging its duties in accordance with its TOR, the GBITC carried out the following activities during the FY2022:

- Reviewed the IT strategy and monitored the progress against management plan;
- Reviewed the cyber security posture and key security initiatives;
- Reviewed the production incidents and trending;
- Reviewed the state of compliance and progress updates on action items in relation to the BNM RMiT Policy;
- Reviewed and assessed IT-related policies/guidelines;
- Reviewed the risk assessment on IT outsourcing arrangements of the Group;
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans;
- Reviewed the Group’s adoption of emerging technologies, including the adoption status and corresponding capabilities;
- Deliberated on the on-going development in digital trends in the financial services industry, and exchange thoughts on the digital strategy of the Group;
- Reviewed the Group’s new major applications, systems and projects; and
- Reviewed the Group’s risk appetite statement and results of compromise assessment on IT infrastructure.

D. INDEPENDENCE

The Board takes cognisance of the provisions of the MCGG, which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years and upon completion of the 9 years, an Independent Director may continue to serve on the Board subject to the Director’s re-designation as a Non-Independent Director. It further states that in the event the Board wishes to retain an Independent Director who has served a cumulative term of 9 years and above, shareholders’ approval shall be annually sought with justification through a two-tier voting process.

The tenure of all the Independent Directors on the Board of the Company does not exceed 9 years. The Independent Directors have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the Independent Directors have continued to bring independent and objective judgment to Board deliberations and decision making.

The Company has in place a policy in relation to the tenure for Independent Directors of the Company (“Tenure Policy”) under the F&P Policy of the Company. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Company. Upon completion of the 9 years, an Independent Director shall retire on the expiry date of his or her term of office approved by BNM.

E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors’ Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

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E. COMMITMENT (continued)

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports since 2015. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitates effective information flow amongst the Board, Board Committees and senior management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman or the CEO of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

The Board met six (6) times for the FY2022 with timely notices of issues to be discussed. Details of attendance of each director are as follows:

| Director | Attendance |
|--|------------|
| YBhg Tan Sri Quek Leng Chan | 6/6 |
| Mr Tan Kong Khoon | 6/6 |
| Ms Leong Ket Ti | 6/6 |
| YM Raja Noorma binti Raja Othman | 6/6 |
| Ms Chong Chye Neo | 6/6 |
| YBhg Dato' Noorazman bin Abd Aziz ⁽¹⁾ | 3/4 |
| Mr Ho Heng Chuan | 6/6 |
| Ms Emily Kok ⁽²⁾ | 1/1 |

⁽¹⁾ Resigned as Director with effect from 14 January 2022.

⁽²⁾ Appointed as Director with effect from 26 April 2022.

The Company recognises the importance of continuous professional development and training for its directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Company's business, governance process, roles and responsibilities as Director of the Company. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

All Directors of the Company have completed the Mandatory Accreditation Programme.

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E. COMMITMENT (continued)

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-à-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the FY2022, the Directors received regular briefings and updates on the Group's businesses, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Company.

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During the FY2022, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Accounting & Finance Show Asia 2021
- Axiata Risk & Compliance Conference 2021
- Behavioural Insights Team, Singapore – Board & Leadership Talk Series: Behavioural Insights
- BNM – Virtual engagement session with Chief Executive Officers/Chairmen of Financial Institutions & Associations in conjunction with the release of BNM Annual Report 2021, Economic & Monetary Review 2021 and Financial Stability Review
- Boston Consulting Group/World Wildlife Fund (WWF) – Net Zero Pathways for Malaysia
- Bursa Malaysia – 2021 Global Market & Economic Outlook: New Beginnings and Old Challenges in the New Normal
- Bursa Malaysia – Carbon Markets
- Bursa Malaysia – Economics Outlook & Lookout
- Bursa Malaysia – FIDE Forum – Dialogue on Sustainability
- Bursa Malaysia – How Market Infrastructures are Coping with Cyber Threat amid Global Pandemic
- CIMA – ESG vs CSR: Environment Social Sustainability Reporting
- Deloitte – The Inflation Outlook: How can Boards prepare for the future of global inflation?
- Deloitte – Digital Frontier: Technology and the Board
- Deloitte – The Future of Globalisation
- European Union – Malaysian Dialogue on Fighting Climate Change with Market Mechanism
- FIDE Forum – Annual Dialogue with the Governor of Bank Negara Malaysia
- FIDE Forum – Dialogue on Climate Risk Management and Scenario Analysis
- FIDE Forum – Dialogue on Licensing Framework for Digital Insurers and Takaful Operators
- FIDE Forum – Dialogue on Risk Management in Technology (RMIT): Insights 1 year on
- FIDE Forum – Meta Finance: The Next Frontier of the Global Economy
- FIDE Forum – MyFintech Week Masterclasses
 - Getting it Right: Securing Results from Digital Transformation
 - Web 3.0 and the Future of Finance
 - Deep Dive into DeFi
- FIDE Forum – The Board's Role and Responsibilities in Crisis Communication
- Fintech News – Reimagining a world without passwords
- Heidrick & Struggles – The Metaverse and Web 3.0
- HLAH Group – KPMG – Sustainable Insurance
- HLB & HLISB – Re engineering Islamic Social Finance (ISF): An Option or a Must?
- HLCB Group – AML/CFT & TFS – Evolving Challenges & Expectations in Regulatory Compliance
- HLCB Group – ESG Briefing by Synergio Global Sdn Bhd
- HLFG – Cyber Risk Awareness Training
- HLFG Group – Anti-Corruption Empowerment Talk Series by Malaysian Anti-Corruption Commission
- HLFG Group – Citigroup – Briefing on “Rise of Fintech and Future of Banking”
- ICLIF – Addressing and responding to growing and more complex threat of cyber security
- ICLIF – Climate Change: Impact on Banks & Role of the Boards

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E. COMMITMENT (continued)

- INSEAD – The Future of the Global Economy
- Institute of Corporate Directors Malaysia – Audit Committee Dialogue & Networking
- Institute of Corporate Directors Malaysia – Masterclass on Digital Disruptions: Winning Strategies for Legacy Companies
- Institute of Corporate Directors Malaysia – Masterclass on The Effective Board: 3 Integral Components required for Board Effectiveness & Communication
- Institute of Corporate Directors Malaysia – Organisational Culture
- Institute of Corporate Directors Malaysia – PowerTalk 2022: “Talent Uprising – How Boards Should Rethink Their Talent Strategy in this Era of Opportunity”
- Institute of Enterprise Risk Practitioners – An Effective Holistic Approach to establishing Effective ESG Culture and Successful Implementation
- International Shariah Research Academy for Islamic Finance (ISRA) Islamic Finance for Board of Directors Programme
- ISEAS – Yusof Ishak Institute – Regional Outlook Forum 2022: Regional Disruptions Amidst Global Recovery
- Joint Committee on Climate Change (JC3) & The Association of Southeast Asia Nations Low Carbon Energy Programme (ASEAN LCEP) – Governance & Reporting Workshop 1: The Power of ESG Data
- KLCCP Stapled Group – Corporate Governance Online Masterclass
- KPMG – Updates on Malaysian Code on Corporate Governance (MCCG) 2021 Briefing Session
- Microsoft Security Virtual Training: Zero Trust
- PwC – Trends in Customer Behaviours
- Rotterdam School of Management, Erasmus University, Rotterdam – Principles of Sustainable Finance
- Russell Reynolds Associates – Asia Pacific Board Leadership Forum 2021
- SC-FIDE Forum – Dialogue on Capital Market Masterplan 3
- Section 17A of the Malaysian Anti-Corruption Commission Act 2009 Protecting You & Your Business with T.R.U.S.T and Understanding the Legal Provision
- Securities Commission – Audit Oversight Board Conversation with Audit Committees
- TerrapinnAsia – Web acceleration: The key to next level e-commerce experience
- The China Conference – Southeast Asia 2022
- The Financial Institutions Directors’ Education (FIDE) Core Programme
- Trowers & Hamblins – MACC Section 17A Education: Protecting Against Liability

F. ACCOUNTABILITY AND AUDIT

The Company has put in place a framework of processes whereby Board committees provide oversight on critical processes of the Company’s reporting of financial statements, in order to ensure that accountability and audit are integral components of the said processes.

I FINANCIAL REPORTING

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

The BARMC is delegated with the responsibility to provide oversight on the Company’s management of critical risks that the Group faces, and to review the effectiveness of internal controls implemented in the Company.

The Statement on Risk Management and Internal Control as detailed under Section I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

III RELATIONSHIP WITH AUDITORS

The appointment of external auditors is recommended by the BARMC, which also reviews the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. In this regard, an annual assessment is conducted by the BARMC to evaluate the performance, independence and objectivity of the external auditors prior to making any recommendation to the Board on the re-appointment of the external auditors.

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F. ACCOUNTABILITY AND AUDIT (continued)

III RELATIONSHIP WITH AUDITORS (continued)

The Company also has a Policy on the Use of External Auditors for Non-Audit Services to govern the professional relationship with the external auditors in relation to non-audit services. Assessment will be conducted by the BARMC for non-audit services to ensure that the provision of non-audit services does not interfere with the exercise of independent judgment of the external auditors.

During the financial year under review, the external auditors met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditors meet with the BARMC members at least twice a year without the presence of management.

G. DISCLOSURE

The Company has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Company's Website after release to Bursa.

H. SHAREHOLDERS

I DIALOGUE BETWEEN COMPANIES AND INVESTORS

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company's Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

The Company has a website at 'www.hlfg.com.my' which the shareholders can access for information which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/ briefings, financial information and investor relations. The minutes of the AGM are published on the Company's Website since FY2022.

The Board has identified Mr Ho Heng Chuan, the Chairman of the BARMC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the Group Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the Group Chief Financial Officer at:

Tel No : 03-2080 9888
 Fax No : 03-2080 9800
 E-mail address : cfo-hlfg@hongleong.com.my

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

In consideration of the COVID-19 situation and the interest of the health and safety of all stakeholders, the last AGM of the Company held on 28 October 2021 was conducted virtually through live streaming

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H. SHAREHOLDERS (continued)

II AGM (continued)

and online voting using Remote Participation and Electronic Voting facilities. All Directors and the CEO attended the AGM either physically or virtually to engage with shareholders and address issues of concern raised by the shareholders. Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at the AGM held on 28 October 2021 were put to a vote by way of a poll and the voting results were announced at the meetings and through Bursa.

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

I. THE RESPONSIBILITY OF THE BOARD

The Board recognises its responsibilities for the system of internal controls of the Group and for reviewing its adequacy and integrity. Accordingly, the Board has established and maintained a Risk Management Framework appropriate to the operations of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The controls built into the Risk Management Framework of the Group are designed to ensure that all relevant and significant risks are identified and managed as part of the risk management process and are not intended to eliminate all risks of failure to achieve business objectives. It only provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.

The Board has received assurance from the President & CEO, Group Chief Financial Officer, and the Heads of Risk Management, Compliance and Internal Audit functions that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Based on the outcome of these reviews as well as the assurance it has received from management, the Board is of the view that the Group's risk management

and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

II. THE RISK MANAGEMENT FRAMEWORK

The Risk Management Framework established by the Board is to assist it in:

- identifying the significant risks faced by the Group in the operating environment, as well as evaluating the impact of such risks;
- developing and approving the necessary measures to manage these risks; and
- monitoring the effectiveness of such measures and to develop, approve and monitor any corrective actions as may be deemed necessary.

These processes have been in place throughout the FY2022 and have continued up to the date this statement was approved.

The Board has entrusted the BARMC with the responsibility to oversee the implementation of the Risk Management Framework of the Group.

The Risk Management function administers the Risk Management Framework by working with various risk management functions within the Group. These functions' primary responsibilities are:

- periodically evaluate all identified risks for their relevance in the operating environment and inclusion in the Risk Management Framework;
- oversee and monitor the implementation of appropriate systems and controls to manage these risks;
- assess the adequacy of existing action plans and control systems developed to manage these risks;
- monitor the performance of management in executing the action plans and operating the control systems; and
- regularly report to the BARMC on the state of internal controls and the efficacy of management of risks throughout the Group.

In discharging the above responsibilities, the Group's Risk Officers are guided by but are not limited to the Statement on Risk Management & Internal Control - Guidelines for Directors of Listed Issuers.

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I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

III. INTERNAL CONTROL REVIEW AND REGULATORY COMPLIANCE PROCEDURES

The Internal Audit function provides assurance regarding the adequacy and integrity of the system of internal controls. This function works with various internal audit functions within the Group to undertake periodic and systematic reviews of internal control systems and the review of compliance with the policies, reporting standards and control procedures of the Group. Internal audit findings, recommendations and management responses are brought to the attention of the respective board audit and/or risk committees within the Group and the status of corrective actions will be monitored for timely resolution.

The Compliance function works with various Compliance functions within the Group to monitor and manage compliance risks in the Group and to facilitate compliance with regulatory requirements and internal policies. The compliance framework and fundamental compliance principles of the Group, including governance framework and reporting structure, are set out in the Group Compliance Policy. All material compliance breaches and non-compliances are brought to the attention of the respective board audit and/or risk committees within the Group and they are kept informed of the causes and the remedial measures taken. To support effective internal controls and in ensuring compliance with relevant laws and regulations, the Compliance function has also put in place key compliance policies such as the Group Anti-Bribery and Corruption Policy, Group Whistleblowing Policy, Group Anti-Money Laundering and Counter Financing of Terrorism Policy and Group Personal Data Protection Policy. All policies are reviewed on an annual basis or as and when required to reflect current practices or changes to applicable legal or regulatory requirements.

IV. MANAGEMENT AND DECISION-MAKING PROCESSES

The Board has incorporated the Risk Management Framework as an integral component in the management and decision-making process of the Group.

The vision and mission statements of the Group form the basis of business plans and budgets. The key strategies to achieve these business plans and budgets are approved by the Board. The management performs periodic review to monitor the performance of all operating units against the business plans and budgets. The budget is monitored and major variances are followed-up by the management. These are then reported to the Board on a quarterly basis.

The Company's financial system records business transactions to produce quarterly reports that allow management to focus on key areas of concern. The public release of quarterly financial reporting of the Group will only be made after being reviewed by the BARMC and approved by the Board.

The Group has a well-defined organisational structure with clearly defined authorities, accountability and segregation of duties. The respective heads of the operating subsidiaries of the Group operate their respective units within the policies, functional, financial and operating reporting standards and control procedures developed by the Group. Such reporting standards and control procedures are supplemented by operating procedures developed by the operating units to suit the regulatory and business environment, in which they operate.

The Group has identified the following principal risks on its operations, including but not limited to credit risk, market risk, liquidity risk, operational risk, compliance risk and environmental, social and governance risk. Risk management policies to guide operating subsidiaries of the Group have been established and these policies are reviewed annually to incorporate regulatory driven, administrative and/or editorial updates. Each operating unit has a number of functional departments and/or units that will be responsible for managing and monitoring risks through limits, procedures and oversight. Where feasible and necessary, relevant group resources are focused to manage and monitor common risks on an integrated and Group-wide basis, using common tools, procedures and control systems as appropriate.

Corporate Governance Overview, Risk Management & Internal Control Statement

I. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (continued)

IV. MANAGEMENT AND DECISION-MAKING PROCESSES (continued)

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR require the Directors to prepare a statement explaining the board of directors' responsibility for preparing the annual audited financial statements and the Companies Act 2016 requires the directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance of the Group and of the Company for the financial year.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2022, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

This Statement on Corporate Governance Overview, Risk Management and Internal Control is made in accordance with the resolution of the Board.