

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 1082  
**COMPANY NAME** : HONG LEONG FINANCIAL GROUP BERHAD  
**FINANCIAL YEAR** : JUNE 30, 2021

### **OUTLINE:**

#### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

#### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

### Intended Outcome

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

#### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b> :	Applied	
<b>Explanation on application of the practice</b> :	The Board of Directors of Hong Leong Financial Group Berhad (" <b>HLFG</b> " or " <b>Company</b> ") assumes responsibility for effective stewardship and control of the Company and has established terms of reference (" <b>TOR</b> ") to assist in the discharge of this responsibility.  In discharging its responsibilities, the Board established functions which are reserved for the Board and those which are delegated to Management. The key roles and responsibilities of the Board are set out in the Board Charter, which was reviewed periodically by the Board and published on the Company's website, ' <a href="http://www.hlfg.com.my">www.hlfg.com.my</a> ' (" <b>the Company's Website</b> "). The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required of them by Bank Negara Malaysia (" <b>BNM</b> ") as specified in the guidelines and circulars issued by BNM from time to time.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

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

**Practice 1.2**

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Chairman helms the Board of Directors. He leads the Board and ensures its smooth and effective functioning.</p> <p>The responsibilities of the Chairman are set out in the Board Charter, which is published on the Company's Website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.3**

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	There is a clear division of responsibilities between the Chairman of the Board and the President & Chief Executive Officer (“ <b>CEO</b> ”). This division of responsibilities between the Chairman and the CEO ensures an appropriate balance of roles, responsibilities and accountability.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.4**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	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. The Company Secretary attends programmes and seminars to keep abreast of relevant regulatory requirements, company law and corporate governance requirements and best practices.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 1.5**

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Prior to Board meetings, Directors are provided with minutes of the previous meeting(s). The agenda together with meeting reports and reference materials are disseminated electronically via 'BoardPAC', an iPad-based solution which stores meeting documents digitally in a secured manner.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board Charter sets out the responsibilities of the Board and Board Committees, the Chairman and CEO, matters reserved and delegated by the Board and proceedings of Directors.</p> <p>The Board Charter is reviewed periodically by the Board and published on the Company's Website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

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

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

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b> :	Applied
<b>Explanation on application of the practice</b> :	<p>The Code of Ethics for Company Directors and the Code of Conduct and Ethics for employees are published on the Company's Website.</p> <p>The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM").</p> <p>HLFG's Code of Conduct and Ethics ("<b>Code</b>") sets out expectations and guidance for employees to demonstrate a high standard of professionalism and ethics in the conduct of the Company's business and professional activities.</p> <p>HLFG's Code covers seven (7) principles, namely: competence, compliance, integrity, consumer protection, confidentiality, objectivity and work environment. The Code is in alignment with the Code of Ethics for the Financial Services Industry published by the Financial Services Professional Board (FSPB).</p> <p>The Code is reviewed on a periodic basis and all employees of the Company are required to read and provide their attestation on an annual basis.</p> <p>These principles have also been incorporated in other relevant governing documents within the Company, where appropriate.</p> <p>The Company has additional policies to foster and maintain a healthy corporate culture that promotes integrity, transparency and fairness, such as HLFG's Anti-Bribery &amp; Corruption Policy which sets out the Company's zero-tolerance position on corruption and bribery.</p>
<b>Explanation for departure</b> :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
<b>Measure</b> :	
<b>Timeframe</b> :	



**Intended Outcome**

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

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

**Practice 3.2**

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company has a Whistleblowing Policy and it provides a structured channel for any employee of the Company and any (legal or natural) person, including those providing services to, or having a business relationship with the Company, to raise any concerns about any improper conduct, or wrongful act that may adversely impact the Company.</p> <p>The Board has identified the Chairman of the Board Audit and Risk Management Committee ("<b>BARMC</b>") of the Company as the person to whom any such concerns may be made.</p> <p>The Whistleblowing Policy and the Whistleblower Form are available on the Company's Website.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board of the Company comprises a majority of Independent Directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.2**

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable – No independent director(s) serving beyond 9 years.	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	The Company has in place a policy in relation to the tenure for Independent Directors of the Company (" <b>Tenure Policy</b> ") under the Fit and Proper (" <b>F&amp;P</b> ") Policy. Pursuant to the revised Tenure Policy as approved by the Company on 29 July 2020, 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.

### Intended Outcome

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

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Company has in place a F&amp;P Policy as a guiding mechanism and framework for appointment of the Board and the CEO. The F&amp;P Policy provides, inter alia, the assessment criteria and guidelines for such appointments and they are as follows:</p> <p>(i) how the candidate will be a strategic and effective fit for the Board and contribute to the overall desired composition and required mix of expertise/experience to enhance the Board's overall effectiveness.</p> <p>The Nomination Committee ("NC") shall, inter alia, consider the attributes, qualifications, management, leadership and business experience, which ought to be at the most senior levels.</p> <p>In respect of skills, expertise and background, the candidate should ideally complement the mix of core competencies of the Board as a whole including but not limited to business, legal and financial expertise, professional knowledge, information technology and financial industry experience.</p> <p>(ii) in the case of CEO, the candidate's knowledge and experience in the industry, market and segment and how this will bear on the performance of his/her duties;</p> <p>(iii) the candidate shall complete the F&amp;P Declaration in respect of his/her probity, competence, personal integrity, reputation, qualifications, skills, experience and financial integrity in line with the standards required under the relevant BNM Guidelines. The Company shall conduct independent background checks to verify the information disclosed in the F&amp;P Declaration.</p> <p>(iv) the candidate is required to ensure that the financial obligation information reported in the BNM application form is accurate with cross reference made to his/her individual CCRIS report accordingly;</p> <p>(v) the candidate will be briefed on expectations on his/her role including his/her time commitment, the F&amp;P assessments to be conducted and general and specific contributions expected; and</p> <p>(vi) whether the candidate is required to attend appropriate training to strengthen any specific area of market knowledge/experience so as to close the gaps identified to be lacking.</p> <p>In evaluating any new appointment of senior management, the Company is guided by Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, religion and/or whether or not one has disability and senior management positions are awarded based on qualifications, experience and potential.</p>

	<p>In general, the assessment and selection of senior management shall consider the following factors in determining role-profile fit:</p> <ul style="list-style-type: none"> <li>(a) skills, knowledge, expertise and industry experience;</li> <li>(b) past contribution and performance; and</li> <li>(c) character, professionalism and integrity.</li> </ul> <p>Each and every candidate for senior management roles is required to go through a stringent screening process where the candidate's competencies and potential are to be assessed through a mix of interviews, aptitude test, competency and/ or psychometric assessments in order to ensure the candidate has the right personal profile to be successful in the role.</p> <p>Pre-employment Reference Checks and Post-Employment Reference Checks are also performed to determine past performance track records, conduct, and behaviour of the selected candidate. In addition, all candidates for senior management roles are to submit their declaration on F&amp;P criteria during the selection process, where it addresses the following areas:</p> <ul style="list-style-type: none"> <li>(a) Probity, Personal Integrity and Reputation;</li> <li>(b) Competence and Capability; and</li> <li>(c) Financial Integrity.</li> </ul> <p>For most of the senior management positions, final approval for hiring should always be obtained from the CEO, on top of the review and approval of Hiring Manager &amp; Human Resources to ensure hiring decisions are made objectively in the best interest of the Company taking into account multiple perspectives and insights. Where required, Board's approval is also obtained for certain roles.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		

**Intended Outcome**

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

**Practice 4.5**

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board currently has seven (7) Directors, of whom three (3) are women directors.</p> <p>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 will continue to maintain women participation on the Board in line with the Malaysian Code on Corporate Governance.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 4.6**

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	In the search for suitable Board candidates, the Company maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with director databases, including databases for women directors.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		



**Intended Outcome**

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

**Practice 4.7**

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

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

### Intended Outcome

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

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied		
<b>Explanation on application of the practice</b>	:	<p>A formal evaluation process has been put in place by the Board and the NC is delegated the authority to, inter alia, assess the effectiveness of the Board as a whole, the Board Committees and the contribution and performance of each individual director on an annual basis (“<b>Annual Board Assessment</b>”) in conjunction with the annual F&amp;P assessment of Chairman, Directors and CEO per BNM Guidelines. The NC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval.</p> <p>Assessment criteria for Board as a whole include, inter alia, the effectiveness of the Board composition in terms of size and structure vis-à-vis the complexity, size, scope and operations of the 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 judgement 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.</p> <p>The NC will deliberate and present the results of the Annual Board Assessment to the Board. The results of the assessment form one of the criteria of the NC’s recommendation to the Board for the re-election, re-appointment or retention of Directors.</p>		
<b>Explanation for departure</b>	:			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
<b>Measure</b>	:	The Board considers the Board Assessment described above to be effective for the Company presently.		
<b>Timeframe</b>	:	<table border="1"> <tr> <td>Others</td> <td>The Board may consider engaging independent experts for the Annual Board Assessment as appropriate in the future.</td> </tr> </table>	Others	The Board may consider engaging independent experts for the Annual Board Assessment as appropriate in the future.
Others	The Board may consider engaging independent experts for the Annual Board Assessment as appropriate in the future.			

**Intended Outcome**

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

**Practice 6.1**

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Remuneration of Directors</b></p> <p>The Remuneration Committee ("RC") recommends the level and structure of Directors' fees which include an annual fee for their service on the board. The recommendation takes into account the responsibilities of the Directors and by benchmarking against the Directors' fee structure of peer banks in order to retain skills and talent, and achieve diversity, on the Board.</p> <p>The Group's remuneration scheme for Executive Directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.</p> <p>The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them.</p> <p><b>Remuneration of Senior Management</b></p> <p>The remuneration strategy of Hong Leong Financial Group supports and promotes a high performance culture to deliver Hong Leong Financial Group'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 the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.</p> <p>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, Hong Leong Financial Group 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.</p> <p>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.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

**Practice 6.2**

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a RC, whose TOR deals with its authority, including inter alia recommending to the Board the framework and policies governing the remuneration of the Directors, CEO, senior management officers and other material risk takers.</p> <p>The TOR of the RC is published on the Company's Website.</p> <p>The RC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. The fees of Directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("<b>AGM</b>").</p> <p><b>Remuneration Process</b></p> <p>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. The Board maintains and regularly reviews a list of officers who fall within the definition of "other material risk takers".</p> <p><b>Role of BARMC in Remuneration Matters</b></p> <p>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.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b> :		
<b>Timeframe</b> :		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

<b>Application</b> :	Applied				
<b>Explanation on application of the practice</b> :	The remuneration of Directors (including the remuneration earned as Directors of Subsidiaries) for the financial year ended 30 June 2021 is as follows:				
	<b>The Group</b>				
	Directors	Salaries, allowances and other remunerations RM'000	Director Fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
	<b>Executive Director</b>				
	Tan Kong Khoon	9,902	-	23	<b>9,925</b>
	<b>Non-Executive Directors</b>				
	Tan Sri Quek Leng Chan	-	-	23	<b>23</b>
	Lim Lean See*	4 #	24	-	<b>28</b>
	Saw Kok Wei*	4 #	23	-	<b>27</b>
	Leong Ket Ti	26 #	265	-	<b>291</b>
	Raja Noorma binti Raja Othman	32 #	288	-	<b>320</b>
	Chong Chye Neo	35 #	375	-	<b>410</b>
	Dato' Noorazman bin Abd Aziz	8 #	118	-	<b>126</b>
	Ho Heng Chuan**	10 #	117	-	<b>127</b>
	<b>Total</b>	<b>10,021</b>	<b>1,210</b>	<b>46</b>	<b>11,277</b>
	<b>The Company</b>				
	Directors	Salaries, allowances and other remunerations RM'000	Director Fees RM'000	Estimated monetary value for benefits-in-kind RM'000	Total RM'000
	<b>Executive Director</b>				
	Tan Kong Khoon	9,902	-	23	<b>9,925</b>
	<b>Non-Executive Directors</b>				
	Tan Sri Quek Leng Chan	-	-	23	<b>23</b>
	Lim Lean See*	4 #	24	-	<b>28</b>
	Saw Kok Wei*	4 #	23	-	<b>27</b>
	Leong Ket Ti	14 #	150	-	<b>164</b>
	Raja Noorma binti Raja Othman	10 #	124	-	<b>134</b>
	Chong Chye Neo	19 #	185	-	<b>204</b>
	Dato' Noorazman bin Abd Aziz	8 #	118	-	<b>126</b>
	Ho Heng Chuan**	10 #	117	-	<b>127</b>
	<b>Total</b>	<b>9,971</b>	<b>741</b>	<b>46</b>	<b>10,758</b>
	# Directors' meeting allowances				
	* Retired with effect from 22 August 2020				
	** Appointed with effect from 15 October 2020				

	<p>During the financial year, Directors and Officers of the Group and the Company are covered under the Directors' &amp; Officers' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group and the Company subject to the terms of the policy. The total amount of Directors' &amp; Officers' Liability Insurance effected for the Directors &amp; Officers of the Group was RM10 million. The total amount of premium paid for the Directors' &amp; Officers' Liability Insurance by the Group was RM71,250 and the apportioned amount of the said premium paid by the Company was RM3,563.</p>	
<p><b>Explanation for departure</b> :</p>		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<p><b>Measure</b> :</p>		
<p><b>Timeframe</b> :</p>		



**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.2**

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	The Board is of the view that it is not in the interest of the Company to disclose the detailed remuneration of senior management on a named basis given the highly competitive market for talent in the industry.	
		As an alternative, the Company has made qualitative and quantitative disclosure of the remuneration framework for senior management and other employees of the Company as disclosed in the Corporate Governance ("CG") Overview Statement in the Annual Report and Section B of this CG Report.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Board will monitor the market practice on such disclosure practice.	
<b>Timeframe</b>	:	Others	The Board may consider in the future as appropriate taking into consideration the market practice and interest of the Company in relation to competition for talent as explained above.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	: Not Adopted  The Board may consider in the future as appropriate taking into consideration the market practice and interest of the Company in relation to competition for talent as explained above.
<b>Explanation on adoption of the practice</b>	:

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the BARMC, an Independent Non-Executive Director, is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Company, being a financial institution, adheres to the CG policy document of BNM, which provides that the officers or partners of the firm of external auditors of the Company must not serve or be appointed as a Director of the Company until at least 2 years after cessation as an officer or partner of that firm or the firm last served as an external auditor of the Company. This requirement is observed by the Company in its consideration for potential candidates of the Board and BARMC.</p> <p>In this regard, none of the BARMC members were officers or partners of the external auditors.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The role of the BARMC in relation to the external auditors is guided by its TOR. BARMC is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, reappointment or termination of the external auditors.</p> <p>In accordance with BNM's Guidelines on External Auditor, the assessment on suitability, objectivity and independence of the external auditors, is being conducted annually, covering the following areas:</p> <ul style="list-style-type: none"> <li>(i) Level of knowledge, capabilities, experience and quality of previous work;</li> <li>(ii) Level of engagement with BARMC ;</li> <li>(iii) Ability to provide constructive observations, implications and recommendations in areas which require improvements;</li> <li>(iv) Adequacy in audit coverage, effectiveness in planning and conduct of audit;</li> <li>(v) Ability to perform the audit work within the agreed timeframe;</li> <li>(vi) Non-audit services rendered by external auditors does not impede independence;</li> <li>(vii) Ability to demonstrates unbiased stance when interpreting the standards/policies adopted by HLF; and</li> <li>(viii) Risk of familiarity to ensure that the independence and objectivity of the external auditors are not compromised.</li> </ul> <p>In addition, the Group had established the Policy on the Use of External Auditors for Non-Audit Services as one of the measures to safeguard the independence and objectivity of external auditors. BARMC reviews the non-audit services rendered by the external auditors and their related fees prior to the approval of the services. The review also takes into account the non-audit fees threshold established under the Policy to ensure their independence and objectivity are not compromised.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	All the BARMC members of the Company are Independent Non-Executive Directors.

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The BARMC members collectively possess the necessary skills and knowledge to discharge their duties and are financially literate. The profile of each BARMC member is set out in the Annual Report 2021.</p> <p>To keep abreast of latest changes and developments in the business environment and to enhance their skills and knowledge, the BARMC members attended various briefings, updates and training programmes as set out in the Annual Report 2021 of the Company.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.1**

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board recognises its overall responsibility in identifying principal risks and ensuring the implementation of appropriate systems to manage those risks. To discharge its oversight responsibilities more effectively, the Board has delegated the independent oversight over risk management to the BARMC and Group Board Information and Technology Committee ("<b>GBITC</b>"). Although the Board has granted such authority to BARMC, the ultimate responsibility and the final decision rest with the Board.</p> <p>The Board has established and maintained a Risk Management Framework appropriate to the operations of the Group, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. The controls built into the Risk Management Framework of the Group are designed to ensure that all relevant and significant risks are identified and managed as part of the risk management process and are not intended to eliminate all risks of failure to achieve business objectives. Therefore, the system provides a reasonable and not absolute assurance against material misstatements, losses or frauds that may affect the Group's financial position or its operations.</p> <p>The Statement on Risk Management and Internal Control in the Company's Annual Report 2021 provides further details on the state of system of internal controls and risk management framework of the Group in financial year 2021.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.2**

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has disclosed features of its risk management and internal control framework, and the adequacy and effectiveness of this framework in the Statement on Risk Management and Internal Control in the Company's Annual Report 2021.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

**Practice 9.3 - Step Up**

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b> :	Not Adopted  The Board has established a BARMC which comprises of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of BARMC is appointed by the Board of Directors, and is not the Chairman of the Board of Directors.  BARMC supports the Board in providing oversight over risk management, compliance and internal audit activities of the Group to ensure that these functions are effective. Although the agenda is not segregated to a separate Risk Management Committee and Audit Committee, the extent and depth of oversight performed by BARMC is similar to as if the committees are segregated.  The composition of BARMC, profile of each member and TOR are set out on the Company's Website.
<b>Explanation on adoption of the practice</b> :	

**Intended Outcome**

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

**Practice 10.1**

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Internal Audit remains an independent function where the Chief Internal Auditor (“<b>CIA</b>”), reports directly to the BARMC. During the financial year, the BARMC had engaged privately with the CIA once within the financial year, without the presence of Management, to provide the opportunity for the CIA to discuss issues faced by the internal audit department (“<b>IAD</b>”). The BARMC Chair had evaluated the performance of the CIA and feedback on the IAD had been provided by the BARMC.</p> <p>During the financial year, BARMC had endorsed the IAD’s Audit Charter, which was subsequently approved by the Board. The Audit Charter defines the mission, authority, scope of work, organisational status, accountability, independence and objectivity, responsibilities, and the professional proficiency and ethics of the IAD.</p> <p>During the financial year, the BARMC had approved the IAD’s financial year 2020/2021 Audit Plan, reviewed the auditable areas planned based on the risk assessment conducted, as well as the audit resource requirements. The IAD has performed its approved audits as guided by the Audit Charter.</p> <p>All audit reports issued by the IAD on HLFGB and a summary of audit reports issued by the various IADs of the Company’s subsidiaries (Hong Leong Bank Berhad, Hong Leong Capital Berhad and HLA Holdings Sdn Bhd) are tabled to every BARMC meeting together with HLFGB’s CIA opinion, highlighting key audit issues, areas of improvements, the Management corrective actions taken and its status at reporting date.</p> <p>The BARMC has performed its annual review on the performance of HLFGB’s IAD in discharging its duties in financial year 2020/2021 based on the 5 key assessment areas which was approved in financial year 2017/2018. The 5 key assessment areas are Professionalism, Proficiency, Due Professional Care, Quality and Monitoring Progress.</p> <p>For further information, please refer to the BARMC Report in the Annual Report.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

### Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p><b>a) Independence and Objectivity</b></p> <p>The Company's IAD reports directly and functionally to the BARMC. In performing its internal audit functions, IAD has no direct responsibility or authority over any of the functions it reviews and audits.</p> <p>The IAD is guided by its Audit Charter which defines the organisational status, accountability, independence and objectivity, responsibilities, the professional proficiency and ethics.</p> <p>The BARMC is responsible for deciding on the appointment, remuneration, appraisal, transfer and dismissal of the Company's CIA, and to provide oversight on the adequacy of resources.</p> <p>The BARMC had engaged privately with the CIA once within the financial year, without the presence of Management, to provide the opportunity for the CIA to discuss issues faced by the IAD.</p> <p><b>b) Internal Audit Resources</b></p> <p>As at 30 June 2021, the Company's IAD has a head count of 2 staff.</p> <p><b>c) Chief Internal Auditor</b></p> <p>With 28 years of service in internal audit, Mr Alan Chang Kong Chong is a qualified Chartered Banker, a Certified Credit Professional and obtained the Certification of Bank Auditors (CBA) all under the Asian Institute of Chartered Bankers. He is also a Certified Practising Accountant (CPA Australia), Certified Internal Auditor and a Certified Financial Services Auditor with The Institute of Internal Auditors ("IIA"), USA. He attained his Bachelor's Degree in Economics from the University of Sydney. Mr Alan is the immediate past President of the Institute of Internal Auditors Malaysia.</p> <p><b>d) Internal Audit Framework</b></p> <p>The Company's IAD is guided by the requirements as stipulated in the BNM guidelines on Internal Audit Function of Licenced Institutions (BNM GL13-4) and the International Professional Practices Framework (IPPF) of IIA.</p> <p>For further information, please refer to the BARMC Report in the Annual Report.</p>

<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.1**

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	: Applied
<b>Explanation on application of the practice</b>	<p>The Board acknowledges the importance of having effective communication with its shareholders and investors. In addition to filings and announcements with Bursa Malaysia, the Company also uses various communication channels to update shareholders and general public :</p> <p><b>I) <u>Corporate Website</u></b> Our corporate website at <a href="http://www.hlfg.com.my">www.hlfg.com.my</a> is a major channel and it provides easy access of relevant information to our shareholders and other stakeholders which includes corporate information, board charter, capital &amp; debt instruments, credit rating, press releases, quarterly financial statement, analyst briefings/presentations and Annual Reports.</p> <p><b>II) <u>Analyst Briefings</u></b> The Company holds briefings to fund managers, institutional investors and investment analysts annually post its result announcement to Bursa Malaysia. The briefings are intended not only to promote the dissemination of the financial results of the Group to fund managers, investors and shareholders but to also keep the investing public and other stakeholders updated on the progress and development of the Group initiatives.</p> <p><b>III) <u>AGM</u></b> 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.</p> <p>In addition to providing comprehensive insights into the Company's financial performance, the Board also recognises the importance of communicating the Company's business strategies and updates on the progress of the current business initiatives.</p> <p>The Board places importance in maintaining active dialogue and effective communication with Shareholders and investors, ensuring accountability and transparency to enable Shareholders and investors to make informed investment decisions. In terms of disclosure of material information, the Board adopts a comprehensive, accurate and timely approach in compliance with the Listing Requirements and the Corporate Disclosure Guide of Bursa Malaysia.</p>

	<p><b>IV) <u>Dedicated person to handle Shareholders and Investor Queries</u></b>  Shareholders and investors can have a channel of communication with the following person to direct queries and provide feedback to the Group.</p> <p>GROUP CHIEF FINANCIAL OFFICER  Tel No. : 03-2080 9888  Fax No. : 03-2080 9800  e-mail address : cfo-hlfg@hongleong.com.my</p>	
<b>Explanation for departure</b> :		
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b> :		
<b>Timeframe</b> :		

**Intended Outcome**

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

**Practice 11.2**

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure		
<b>Explanation on application of the practice</b>	:			
<b>Explanation for departure</b>	:	<p>The Group continuously enhances its Annual Report in order to improve its communication with its stakeholders with regards to the Group's financial results, business performance and operations of the Group.</p> <p>The information disclosed in the Annual Report is in line with current regulatory and statutory guidelines and the principles which underpin integrated reporting that include the Group's strategy, governance, performance and prospects.</p>		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:	The Group will continually enhance the content of the Annual Report to improve our communication to our stakeholders.		
<b>Timeframe</b>	:	<table border="1"> <tr> <td>Others</td> <td>The Group will monitor the market practice and any developments in respect of integrated reporting for future consideration.</td> </tr> </table>	Others	The Group will monitor the market practice and any developments in respect of integrated reporting for future consideration.
Others	The Group will monitor the market practice and any developments in respect of integrated reporting for future consideration.			



**Intended Outcome**

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

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Company gives 28 days' notice to its shareholders for AGMs.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors attended the 51 <sup>st</sup> Annual General Meeting of the Company held on 30 October 2020, which was held virtually, to engage with shareholders and be accountable for their stewardship of the Company. The Chair of Board Committees are aware of their respective scope of responsibilities and will respond to questions addressed to them at General Meetings.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

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

**Practice 12.3**

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate—

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 51<sup>st</sup> AGM of the Company held on 30 October 2020 was conducted in full virtual manner through live streaming and online voting using Remote Participation and Electronic Voting (“RPEV”) 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.</p> <p>With the RPEV facilities, shareholders were able to exercise their right as members of the Company to participate (including posing questions to the Board and/or Management of the Company before or during the AGM) and vote at the 51<sup>st</sup> AGM. Member, who was unable to attend the 51<sup>st</sup> AGM, was able to appoint a proxy or the Chairman of the meeting as his/her proxy to attend the AGM via RPEV facilities.</p>
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT TO CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

**The following disclosure requirements under Appendix 4 of the Corporate Governance policy document of Bank Negara Malaysia are set out in the Annual Report 2021 of the Company and/or Board Charter, which is published on the Company’s Website:**

### **Board of Directors – Composition**

- Name and designation of each Director;
- Key personal details and background of each Director including relevant experience, any shareholding in the Company and external professional commitments;
- Chairman and members of each Board Committee;
- Changes to the Board composition of HLFG during the financial year;
- Training and education provided to the Board;
- Number of meetings convened by the Board and each Board Committee.

### **Board of Directors – Function and Conduct**

- Roles and responsibilities of the Board and Board Committees;
- Attendance of each Director at Board and Board Committee meetings during the financial year.

### **Internal Control Framework – Overview**

The Internal Control Framework is set out in the Statement on Risk Management and Internal Control in the Annual Report 2021.

### **Remuneration – Qualitative Disclosures**

#### **Remuneration Framework**

The remuneration strategy of Hong Leong Financial Group (“HLFG”) supports and promotes a high performance culture to deliver HLFG’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 the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

The remuneration framework provides a balanced approach between fixed and variable components that is measured using a robust and rigorous performance management process which incorporates meritocracy in performance, HLFG 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. The Board maintains and regularly reviews a list of officers who fall within the definition of “other material risk takers”.

## Remuneration Principles

The following shows the three key principles of HLFG's Remuneration Board Policy:

### Principle 1 - Oversight by RC & Board of Directors

- The RC responsibilities are to:
  - recommend to the Board the framework and policies governing the remuneration of the Directors, CEO, senior management officers and other material risk takers;
  - review and recommend to the Board for approval the specific remuneration packages of executive directors and the CEO;
  - review and recommend to the Board for approval the remuneration of key senior management officers and other material risk takers.
- The RC ensures that the remuneration system:
  - is in line with the business and risk strategies, corporate values and long term interests of HLFG;
  - has a strong link between rewards and individual performance and is periodically benchmarked to market/industry;
  - promote prudent risk-taking behavior and long-term sustainability, and encourage employees to act in the interests of HLFG as a whole, taking into account the interests of its shareholders, customers and other relevant stakeholders;
  - is guided by input from control functions and BARMC to ensure that risk exposures and risk outcomes are adequately considered.
- Transparency to key stakeholders. The Board must ensure that the corporate governance disclosures on remuneration are:
  - accurate, clear, and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholder;
  - laid before HLFG's annual general meetings as an appendix to the directors' report, and published in the HLFG's website and Annual Reports in line with regulatory requirements and industry best practices, where applicable.

### Principle 2 – Prudent Risk Taking

- Remuneration for employees within HLFG must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that:
  - remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement;
  - the size of the bonus pool is linked to the overall performance of HLFG;
  - bonus payments are linked to the contribution of the employee and business unit to the overall performance of HLFG;
  - variables used to measure risk and performance outcomes of an individual relate closely to the level of accountability of that individual;
  - the determination of performance measures and variable remuneration considers that certain indicators (such as share prices) may be influenced in the short term by factors like market sentiment or general economic conditions which are not specifically related to HLFG's performance or an individual's actions, and the use of such indicators does not create incentives for individuals to take excessive risk in the short term;
  - bonuses are not guaranteed, except in the context of sign-on bonuses;
  - for members of senior management and other material risk takers:
    - a portion of remuneration consists of variable remuneration to be paid on the basis of individual, business unit and companywide measures that adequately assess performance;
    - the variable portion of remuneration increases along with the individual's level of accountability;
    - the remuneration payout is subject to deferred remuneration, malus and clawback.
    - commit not to undertake activities (such as personal hedging strategies and liability-related insurance) that will undermine the risk alignment effects embedded in their remuneration.

### **Principle 3 – Governance Process for Bonus, Increment and Promotion (“BIP”)**

- HFLG has established an end-to-end BIP process to ensure proper governance and sufficient control is in place;
- Provision for variable remuneration is tied to the performance of HFLG and the pool is allocated according to the performance of each business unit;
- In cases where an employee has dual reporting line, both reporting managers shall have co-responsibility to assess and decide on the employee’s remuneration;
- To safeguard the independence and authority of individuals engaged in control functions, HFLG ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee;
- The appointment, remuneration and dismissal of Chief Risk Officer, Chief Compliance Officer and Chief Internal Auditor must be endorsed by the Chairman of BARMC and subsequently approved by the Board;

Final recommendations for executives are presented to the RC for deliberation and approval. Board of Directors approve the RC recommendations and/or empower RC to approve the BIP allocation.

#### **Measurement of Performance**

HFLG’s performance is determined in accordance with key measures on profitability, cost, capital, shareholders’ return, medium to long-term strategic initiatives, as well as risk, audit and compliance positions.

For each employee, performance is tracked through Key Result Areas (“**KRAs**”). It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders.

#### **Long-term incentives**

The variable portion of remuneration (both Performance-based variable pay and Long term incentives) increases along with the individual’s level of accountability. By subjecting an adequate portion of the variable remuneration package to forfeiture, it takes into account potential financial risks that may crystalize over a period of time, reinforces HFLG’s corporate and risk culture in promoting prudent risk-taking behaviours.

In addition, HFLG also recognises and rewards individuals for their contributions towards the HFLG’s long-term business achievements (both in qualitative and quantitative measures) through a combination of cash and non-cash (i.e. shares or share-linked instruments) elements that are subject to partial deferment over a period of time (typically over a few years) with built-in clawback mechanism.

#### **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. Clawbacks are typically (and not limited to) applied in the case of Gross Misconduct, Financial Misstatements, Material Risks and/or Malfeasance of Fraud.

## Employee Benefits and programs

Employee benefits (e.g. screening, health and medical, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of our employees. These are being reviewed annually to ensure HFLG remains competitive in the industry and that the employees are well taken care of.

## Remuneration Disclosure

The following depicts the total value of remuneration awarded to the CEO and senior management team for the financial year ended 30 June 2021 ("FY2021"):

CEO and Senior Management	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of Outstanding deferred remuneration as at 30.6.2021 (RM)	Total amount of Outstanding deferred remuneration paid out (vested) in FY2021 (RM)
<b>Fixed Remuneration</b>					
<i>Cash-based</i>	5	5,327,200	-	-	-
<i>Shares and share-linked instruments</i>	-	-	-	-	-
<i>Other</i>	-	-	-	-	-
<b>Variable Remuneration</b>					
<i>Cash-based</i>	4	6,592,625	2,935,161	2,935,161	1,352,728
<i>Shares and share-linked instruments*</i>	2	-	29,381,520	29,381,520	-
<i>Other</i>	-	-	-	-	-

Note: \*The value of share is based on the valuation used for MFRS2 Accounting.