

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 1082  
**COMPANY NAME** : HONG LEONG FINANCIAL GROUP BERHAD  
**FINANCIAL YEAR** : June 30, 2024

### **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>	:	<p>The Board of Directors ("<b>Board</b>") 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.</p> <p>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 is reviewed annually 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 Board Charter was last reviewed in July 2024. 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.</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 1.2**

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>	:	The Chairman helms the Board. He leads the Board and ensures its smooth and effective functioning.  The responsibilities of the Chairman are set out in the Board Charter, which is published on the Company's Website.	
<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>	:	<p>There is a clear division of responsibilities between the Chairman of the Board and the President &amp; Chief Executive Officer ("<b>CEO</b>"). This division of responsibilities between the Chairman and the President &amp; CEO ensures an appropriate balance of roles, responsibilities and accountability.</p> <p>The Chairman of the Board is YBhg Tan Sri Quek Leng Chan and the President &amp; CEO is Mr Tan Kong Khoo.</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 1.4

The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

<i>Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Chairman of the Board is not a member of the Board Audit and Risk Management Committee (" <b>BARMC</b> "). He is also not a member of the Nomination Committee (" <b>NC</b> ") and Remuneration Committee (" <b>RC</b> ") of HLFG, which had since been combined into a single committee named as Nomination and Remuneration Committee (" <b>NRC</b> ") with effect from 1 August 2024.
<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**

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.

Application	:	Applied	
Explanation on application of the practice	:	The Board is supported by the Company Secretary who is qualified to act under Section 235 of the Companies Act 2016. He is Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and holds practicing certificate issued by Companies Commission of Malaysia (“CCM”). 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 with inter alia, regulatory requirements, company law and corporate governance requirements and best practices.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**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 1.6**

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 and Board Committee 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.

Application	:	Applied	
Explanation on application of the practice	:	<p>The Board Charter sets out the responsibilities of the Board and Board Committees, the Chairman, CEO and individual directors, matters reserved and delegated by the Board and proceedings of Directors.</p> <p>The Board Charter is subject to periodic review by the Board or at least once annually and published on the Company's Website. The last review of the Board Charter was carried out in July 2024.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### 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 Directors and the Code of Conduct &amp; Ethics for employees are published on the Company's Website.</p> <p>The Board observes the new Code of Ethics for Directors established by the Company in July 2024, which was developed based on the new Code of Ethics for Company Director issued by CCM, with adjustments made to align with the pertinent regulations of BNM, the Securities Commission Malaysia, and Bursa Malaysia Securities Berhad ("<b>Bursa Malaysia</b>").</p> <p>HLFG's Code of Conduct &amp; Ethics for employees ("<b>Code</b>") sets out expectations and guidance for employees and persons permitted to perform duties or functions within, or for and on behalf of, the Company 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 an annual basis and all employees of the Company are required to read and provide their attestation to the Code 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, including standard operating procedures ("<b>Procedures</b>"), to foster and maintain a healthy corporate culture that promotes integrity, transparency and fairness, such as HLFG's Anti-Bribery &amp; Corruption Policy and Procedures which sets out the Company's zero-tolerance position on corruption and bribery, as well as policies and Procedures on gifts and entertainment, and whistleblowing.</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 Whistleblowing Standard Operating Procedures ("<b>Procedures</b>") which provides a structured channel and process 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 genuine concerns about any improper conduct or wrongful act involving the Company ("<b>Improper Conduct</b>") and/or any person associated with the Company. The Whistleblowing Policy and Procedures are reviewed annually and approved by the Board of the Company.</p> <p>Reports of Improper Conduct may be made using the whistleblower form or in writing directly to the Chairman of the BARMC of the Company, who is the designated recipient of such reports. Where the alleged Improper Conduct concerns the Chairman of the BARMC of the Company, the report shall be made to another Independent Non-Executive Director of the Company as named in the Whistleblowing Policy.</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

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.1

The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>HLFG's commitment to sustainability is anchored in robust Board governance and proactive senior management. The Board sets the strategic direction, ensuring sustainability is embedded into decision-making processes, from strategy development to risk management. The Board is supported by the BARMC to manage Environment, Social and Governance ("<b>ESG</b>") risks and opportunities as well as to oversee the Group's sustainability and internal control frameworks. Five Sustainability Pillars, namely digital at the core, workforce readiness, socially responsible business, environmental management, and community investment were identified to guide our ESG efforts and ensure consistent disclosures across the Group. We have established both short-term and long-term Greenhouse Gas ("<b>GHG</b>") reduction targets on a Group-wide basis as detailed in the Annual Report 2024 and this reinforces our sustainability commitment further.</p> <p>For financial year ("<b>FY</b>") 2024, HLFG and its operating companies are well ahead in meeting the short term goal of reducing Scope 1 and 2 GHG emissions within 15% to 25% by FY2026 compared to the FY2019 baseline.</p> <p>Senior management actively drives the implementation of the Group's sustainability strategy, prioritising decarbonisation and managing material sustainability matters across HLFG and its operating companies. We continue to support our operating companies in strengthening their sustainable business practices and integrating ESG principles into their lending practices, investment frameworks, and financial products and services.</p> <p>To ensure alignment and coordinated action, the Group Sustainability Committee ("<b>SC</b>"), led by the Group Chief Financial Officer and Group Chief Risk Officer, was established in FY2024. The SC, supported by all operating companies, is pivotal in driving the Group's sustainability agenda, monitoring progress and fostering consistency in sustainability strategies and practices.</p> <p>Details of the Sustainability Statement are set out in the Annual Report 2024.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.2**

The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of having continuous and meaningful communication with the Company's stakeholders on its sustainability strategies, priorities, performance and commitments.</p> <p>HLFG regularly engages with internal and external stakeholders to ensure that the Group's sustainability practices and initiatives create long-term value for all. HLFG conducts regular intra-Group engagements among the operating companies to ensure consistency in sustainability approach and practices.</p> <p>We continually enhance our disclosures and foster ongoing engagement through our operating companies. In FY2024, we adopted Bursa Malaysia's Enhanced Sustainability Reporting Framework, ensuring comprehensive disclosure of material sustainability matters. We also obtained an independent third-party assurance statement, further demonstrating our commitment to transparency and accountability.</p> <p>Our operating companies actively engage their key stakeholders through various channels such as events, workshops, and direct client interactions. This ensures our sustainability practices remain aligned with stakeholder interests and concerns with an internal review conducted to affirm the continued pertinence of the material topics identified in FY2023. These topics encompass key sustainability considerations across our core businesses: commercial and Islamic banking businesses under Hong Leong Bank Berhad; life insurance and family takaful businesses under HLA Holdings Sdn Bhd; and investment banking and fund management businesses under Hong Leong Capital Berhad.</p> <p>The Sustainability Statement in the Annual Report 2024 provides detailed information on our sustainability management, performance, ESG integration strategies, initiatives, commitments, and targets, further demonstrating our dedication to open communication and continuous improvement.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.3**

The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During the financial year ended 30 June 2024, the Board had participated in various training programmes to keep abreast of latest changes and developments relating to sustainability, including climate-related risks and opportunities.</p> <p>The training programmes and briefings attended by the Directors included the following:</p> <ul style="list-style-type: none"> <li>• Asia School of Business – ESG and Islamic Finance: Implications for Boards and Corporate Governance</li> <li>• BNM – Engagement session to share key insights derived from the assessment of Financial Institution's gap analysis and implementation plan of the climate risk management and scenario analysis document</li> <li>• BNM – JC3 Journey to Zero Conference 2023</li> <li>• Bursa Malaysia &amp; Climate Governance Malaysia – Chairperson Masterclass Series 2023: Session 6 - Managing Scope 3 Emissions</li> <li>• Climate Governance Malaysia – Chairperson Masterclass Series: Session 4 - Leadership Navigation: Carbon Pricing</li> <li>• Climate Governance Malaysia – Chairperson Masterclass Series: Session 6 - Reporting under the Task Force on Climate-Related Financial Disclosures (TCFD) Framework</li> <li>• Climate Governance Malaysia – Director Masterclass Series 1: Boardroom Dynamics in Climate Talks</li> <li>• Climate Governance Malaysia – Director Masterclass Series 2: What Directors Must Know about Recent Developments in Climate Science</li> <li>• Institute of Certified Sustainability Practitioners (ICSP) – Performance Measurement of Corporate Social Responsibility (CSR) using Social Return on Investment (SROI)</li> <li>• Institute of Corporate Directors Malaysia (“ICDM”) – Mandatory Accreditation Programme (MAP) Part II on Sustainability for Directors: Leading for Impact</li> <li>• ICDM – PowerTalk Series: Climate Change and Carbon Footprint: Getting the Right Financial Risk &amp; Reporting Perspective</li> <li>• Malaysian Association of Public Advocacy for Nature (MAPAN) – Open Forum: ESG &amp; Sustainability (Panel Member)</li> <li>• Malaysian Institute of Accountants (MIA) – Introduction to ESG and Sustainable Finance</li> <li>• McKinsey &amp; Company/Hong Leong Bank Berhad (HLB) – Leadership Expert Engagement Workshop - Getting The Net Zero Pathway Right</li> </ul>

	<p>The Group Sustainability Committee, which was established during the financial year ended 30 June 2024, had discussed the plan and scope of work for the Sustainability Statement for the financial year 2023/2024, sustainability data tracking progress, development of carbon reduction strategies and targets and the sustainability direction of the Company and the Group.</p> <p>The BARMC assessed progress in managing climate-related risks, ensuring alignment with Task Force on Climate-Related Financial Disclosures (TCFD) recommendations, and overseeing the implementation of BNM climate related policies. Sustainability targets, disclosure progress, compliance with key regulatory requirements, and updates on regulatory changes are now key BARMC agenda items.</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**

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

**Practice 4.4**

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board of the Company is responsible for providing oversight on sustainability governance matters and is committed to ensuring that sustainability practices are embedded in the organisation and that adequate resources are in place to manage sustainability matters. The Annual Board Assessment of the Company for the financial year ended 30 June 2024 included, inter alia, an assessment on adequacy of the Directors' skill sets and experience in ESG areas, adequacy of the Board's knowledge on ESG concerns to oversee the conduct of business and effectiveness of the Board in ensuring principal risks of the Company, including ESG Risks, are identified and adequate risk management framework is in place to manage these risks.</p> <p>The performance evaluation of Senior Officers follows a robust and rigorous process which incorporates meritocracy in performance as well as HLFG values, key behaviours in accordance with HLFG's Code of Conduct &amp; Ethics for employees and, risk and compliance management including the management of ESG Risks as part of key performance indicators. "Senior 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.</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 company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

### Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

*Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.*

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>Senior management, namely the President &amp; CEO, oversees the implementation of the sustainability approach and ensures that the objectives are being met with the support of the SC.</p> <p>The SC was established during the financial year ended 30 June 2024 which members comprised the Group Chief Financial Officer, Group Chief Risk Officer, General Counsel and Chief Compliance Officer and the Group Company Secretary. The SC was entrusted with the responsibility to support the President &amp; CEO, BARMC and the Board of HLFG in overseeing the strategic direction for the Company's approach to sustainability, progress updates and sustainability reporting, the management of ESG risks and mitigating plans and act as the main enabler of the Company's sustainability strategies and initiatives.</p> <p>At the SC meetings, representatives from HLFG Group's operating companies, e.g. Chief Sustainability Officer(s), are invited to provide progress report on sustainability targets, and discuss on sustainability reporting and sustainability-related matters. Apart from the above, a sustainability working committee comprising the representatives of the operating companies was also established to promote knowledge transfer between the operating companies and alignment of sustainability disclosures across the Group.</p>

**Intended Outcome**

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

**Practice 5.1**

The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied	
Explanation on application of the practice	:	<p>The NC conducts annual review of the composition of the Board in terms of appropriate size, required mix of skills, experience and core competencies and adequacy of balance between Executive Director, Non-Executive Directors and Independent Non-Executive Directors.</p> <p>The NC also assesses the performance of Director who is subject to re-election at the Annual General Meeting (“<b>AGM</b>”) and upon satisfactory evaluation of the Director’s performance and contribution to the Board, recommendation will be submitted to the Board for decision to table the resolution on the re-election of the Director concerned for shareholders’ approval at the AGM.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 5.2**

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

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

**Intended Outcome**

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

**Practice 5.3**

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 provide justification and seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - Step Up 5.4 adopted	
<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 5.4 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years without further extension.

<i>Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.</i>	
<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 for Directors and CEO. 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.

**Intended Outcome**

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

**Practice 5.5**

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.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Company has in place a F&amp;P Policy for Directors and CEO as a guiding mechanism and framework for appointment of the Board and the CEO. The F&amp;P Policy for Directors and CEO provides, inter alia, the assessment criteria and guidelines for such appointments and they are as follows:</p> <ul style="list-style-type: none"> <li>(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.</li> </ul> <p>The NRC 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> <ul style="list-style-type: none"> <li>(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;</li> <li>(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.</li> <li>(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;</li> <li>(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</li> </ul>

	<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>As part of the nomination and selection process of potential candidates for appointment to the Board of the Company, the shortlisted candidates will be engaged to gauge their willingness and ability to ensure sufficient time commitment for discharging their statutory and fiduciary duties as directors if appointed, in addition to the assessment on their experience, skills and suitability.</p> <p>With reference to devotion of required time by appointed Directors to serve the Board effectively, the Directors shall devote sufficient time and effort to carry out their responsibilities and enhance the professional skills, and the Directors shall ensure that they do not hold more than five (5) directorships in public listed companies as stated in the Board Charter of the Company.</p> <p>During the 2024 Board Annual Assessment, the Board had reviewed and was satisfied with the level of time commitment given by all Directors in discharging their duties and responsibilities. All Directors' attendances at the respective meetings of the Board and Board Committees held during the financial year 2024 are set out in the Corporate Governance Overview Statements of the Annual Report 2024.</p> <p>For Senior Officers, the recruitment process is to give candidates, regardless of background, fair access by focusing on competencies and fit-to-role.</p> <p>The Company has in place a F&amp;P for Senior Officers Policy which outlines the conditions to be observed in the assessment and appointment of Senior Officers. In general, the assessment and selection of Senior Officers 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 candidate for Senior Officers 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 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 Officers 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>Appointments for Senior Officers are subject to Board and/or relevant Board Committee's approval or relevant authorities' approval, where necessary.</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 5.6**

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.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>While the Board is responsible for the appointment of new Directors, the NRC is entrusted with the responsibility of conducting assessment on the capabilities, commitment and qualities of candidates to be appointed as Board Members. Above and beyond referrals from the existing Directors, the NRC may utilise the independent sources, including industry talent pool and available directors' registry (i.e. ICDM and 30% Club).</p> <p>In assessing and appointing a Director, the NRC is guided by the F&amp;P Policy for Directors and CEO of the Company and candidates shortlisted by the NRC will be subject to rigorous vetting and approval by BNM before they are appointed to the Board.</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 5.7**

The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application	:	Applied	
Explanation on application of the practice	:	<p>Shareholders are kept informed on the Board decision in respect of appointment of directors via announcements to Bursa Malaysia which are also updated on the Company's Website.</p> <p>The profile of each Director is set out in the Annual Report 2024 and is made available on the Company's Website.</p> <p>The performance of retiring Directors who are recommended for re-election at the forthcoming AGM have been assessed through the Annual Board Assessment of the Company (including the evaluation of the independence of Independent Non-Executive Directors) and reviewed by the NRC. A statement by the Board and NRC being satisfied with the performance and effectiveness of the retiring Directors who offer themselves for re-election at the 55<sup>th</sup> AGM has been included in the notes accompanying the Notice of 55<sup>th</sup> AGM.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 5.8**

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

Application	:	Applied	
Explanation on application of the practice	:	The NC is chaired by an Independent Non-Executive Director.  On 1 August 2024, the NC and RC were combined into a single committee named as the NRC. The NRC is chaired by an Independent Non-Executive Director.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 5.9**

The board comprises at least 30% women directors.

Application	:	Applied	
Explanation on application of the practice	:	As at 30 June 2024, the Board comprises 57.1% women directors, i.e. four (4) out of seven (7) Directors.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**Intended Outcome**

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

**Practice 5.10**

The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

Application	:	Applied	
Explanation on application of the practice	:	<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> <p>The Company employs/ engages people from a variety of backgrounds and origin, experience and culture.</p> <p>HLFG’s Code of Conduct &amp; Ethics for employees prohibits discrimination of any kind, including any discrimination based on race, colour, nationality, ancestry, citizenship status, creed, religion, age, gender, medical or health condition, pregnancy, parental status, marital status or physical disability.</p> <p>Women representation in the senior management is currently at 25%. The Company is committed to promote gender equality and leverage on female talent.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

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

### Practice 6.1

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 its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

<i>Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.</i>	
<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 NRC 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 NRC 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 NRC 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 NRC's recommendation to the Board for the re-election, re-appointment or retention of Directors.</p> <p>Based on the results of the Annual Board Assessment for the financial year ended 30 June 2024, the NC and the Board were satisfied with the outcome of the results as follow:</p> <ul style="list-style-type: none"><li>the Board and the Board Committees were considered to be highly effective. The Board recognised that the BARMC, Group Board Information and Technology Committee ("<b>GBITC</b>"), NC and RC have the right composition and have been effectively in discharging their duties.</li></ul>

	<ul style="list-style-type: none"> <li>all individual Directors are persons of high calibre and integrity, and they have a sound understanding of the Company's business as well as deep industry expertise. They possess the skill sets, knowledge, experience and competencies to address the key risks and major issues relating to the Company's business and its policies and strategies. All the Directors had discharged their duties and responsibilities effectively for the financial year ended 30 June 2024.</li> <li>each Independent Director has fulfilled the independence criteria set out in the Main Market Listing Requirements of Bursa Malaysia and they continue to demonstrate their independence through their engagement in meetings, providing objective challenges to the Management and bringing independent judgement to decisions taken by the Board.</li> </ul> <p>The Board considers the Annual Board Assessment described above to be effective for the Company presently. The Board will continuously review its Board evaluation process to further enhance the process. This may include engagement of independent experts to facilitate the evaluation of the Board, the Board committees and individual directors. Should independent experts be engaged for the Annual Board Assessment, an engagement interval of once every 3 years or 5 years will be appropriate.</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 7.1**

The board has remuneration 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 remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. 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 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>The NRC, 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 of the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices. Independent Non-Executive Directors 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 Independent Non-Executive Directors is recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM.</p> <p><b>Remuneration of Senior Officers and Other Material Risk Takers</b></p> <p><u>Remuneration Process</u></p> <p>The remuneration of Senior Officers are presented and approved by the Board annually. The annual performance review includes risk and compliance related Key Performance Indicators (KPIs). Risk control objectives that are not met and any non-compliance will have significant consequence to remuneration decisions.</p> <p>The Board maintains and regularly reviews a list of officers who fall within the definition of "Senior Officers" and "other material risk takers."</p>

	<p><u>Role of BARMC in remuneration process</u></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 capital adequacy, credit risk, market risk, liquidity risk, operational risk, compliance risk and ESG risk, without prejudice to the tasks of the NRC. During the FY2024, there was no incentive scheme implemented in the Company.</p> <p><u>Deferred Compensation and Clawback</u></p> <p>The clawback mechanism for performance based variable pay and long term incentives ("<b>Variable Pay</b>") can be 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. The Variable Pay (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 crystallize over a period of time, reinforces HLFG's corporate and risk culture in promoting prudent risk taking behaviours.</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**

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 7.2**

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>On 1 August 2024, the NC and RC were combined into a single committee named as the NRC. The authority and duties of the NRC are set out in the TOR of the NRC.</p> <p>The TOR of the NRC 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**

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 8.1**

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>	:	<p>The remuneration of Directors (including the remuneration earned as Directors of Subsidiaries) for the financial year ended 30 June 2024 is set out in the following page.</p> <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 RM85,500 and the apportioned amount of the said premium paid by the Company was RM4,275.</p>

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Tan Kong Khoon	Executive Director	-	240	3,480	8,364	34	-	12,118	-	240	3,480	8,364	34	-	12,118
2	Tan Sri Quek Leng Chan	Non-Executive Non-Independent Director	-	-	-	-	35	-	35	-	-	-	-	35	-	35
3	Leong Ket Ti	Independent Director	160	21 <sup>#</sup>	-	-	-	-	181	284	38 <sup>#</sup>	-	-	-	-	322
4	Raja Noorma binti Raja Othman	Independent Director	140	18 <sup>#</sup>	-	-	-	-	158	320	68 <sup>#</sup>	-	-	-	-	388
5	Chong Chye Neo	Independent Director	204	32 <sup>#</sup>	-	-	-	-	236	204	32 <sup>#</sup>	-	-	-	-	236
6	Ho Heng Chuan	Independent Director	180	30 <sup>#</sup>	-	-	-	-	210	180	30 <sup>#</sup>	-	-	-	-	210
7	Emily Kok	Independent Director	130	20 <sup>#</sup>	-	-	-	-	150	130	20 <sup>#</sup>	-	-	-	-	150

Notes:

# Directors' meeting allowance

**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 8.2**

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 2024 and Section B of this CG Report.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
<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.

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

**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 8.3 - 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
<b>Explanation on adoption of the practice</b>	:	



No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

**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 9.1**

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 9.2**

The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three 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 TOR of the BARMC provides for a cooling-off period of at least three (3) years before a former key audit partner may be appointed as a member of the BARMC.</p> <p>In this regard, none of the BARMC members were officers or partners of the external auditors 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**

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 9.3**

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

<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 the 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 demonstrate unbiased stance when interpreting the standards/policies adopted by HLFG; and</li> <li>(viii) Risk of familiarity threat 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>	:	
<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 9.4 - 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 9.5**

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent 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.

Application	:	Applied	
Explanation on application of the practice	:	<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 2024.</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 2024 of the Company.</p>	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

**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 10.1**

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 a sound system of internal controls and risk management practices to manage those risks and foster good governance. To discharge its oversight responsibilities effectively, the Board has delegated the independent oversight over risk management and internal control framework to the BARMC and GBITC. 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 risk management and internal control framework 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 2024 provides further details on the state of system of risk management and internal controls framework of the Group in financial year 2024.</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 10.2**

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 2024.	
<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 10.3 - 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
<b>Explanation on adoption of the practice</b>	:	<p>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, and is not the Chairman of the Board.</p> <p>BARMC supports the Board in providing oversight over risk management, compliance and internal audit activities of the Group to ensure that these functions are operating adequately and effectively. 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.</p> <p>The composition of BARMC, profile of each member and TOR are set out on the Company's Website.</p>

**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 11.1**

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 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 mandate, 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 2023/2024 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 HLFG’s IAD and a summary of key audit reports issued by the various IADs at the subsidiaries with pertinent audit issues that require HLFG BARMC’s attention are tabled at the quarterly meetings of HLFG BARMC. The key audit issues of the subsidiaries are accompanied together with HLFG’s CIA’s opinion and the status of Management corrective actions at the reporting date.</p> <p>The BARMC has performed its annual review on the performance of HLFG’s IAD in discharging its duties in financial year 2023/2024 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 2024.</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 11.2

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 mandate, mission, authority, scope of work, 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>During the financial year, the CIA had also confirmed to the BARMC that HLFG's IAD was free from interference in determining the audit selection, scope of internal audit, procedures, frequency, timing and report content.</p> <p><b>b) Internal Audit Resources</b></p> <p>As at 30 June 2024, the Company's IAD has a head count of 3 staff.</p> <p><b>c) CIA</b></p> <p>With 31 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, 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 was a past President of IIA Malaysia.</p>

	<b>d) Internal Audit Framework</b>  The Company's IAD is guided by the requirements as stipulated in the BNM guidelines on Internal Audit Function of Licensed Institutions (BNM GL13-4) and the Global Internal Audit Standards set within IIA's International Professional practices Framework (IPPF).  For further information, please refer to the BARMC Report in the Annual Report 2024.	
<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 12.1**

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) Corporate Website</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) Analyst Briefings</b> The Company holds briefings to fund managers, institutional investors and investment analysts half yearly and 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) AGM</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>

	<b>IV) Dedicated person to handle Shareholders and Investor Queries</b> Shareholders and investors can have a channel of communication with the following person to direct queries and provide feedback to the Group.  GROUP CHIEF FINANCIAL OFFICER Tel No. : 03-2080 9888 Fax No. : 03-2080 9800 e-mail address : <a href="mailto:cfo-hlfg@hongleong.com.my">cfo-hlfg@hongleong.com.my</a>	
<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 12.2**

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>	:	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.	
		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 sustainability reporting.	
<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>	:	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 13.1**

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 13.2**

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>	:	<p>All Directors are committed to attend General Meetings of the Company, which are scheduled in advance, save for unforeseeable circumstances.</p> <p>For the 54<sup>th</sup> AGM of the Company held on 31 October 2023, all Directors of the Company attended the meeting physically to engage with shareholders.</p> <p>The Chair of Board Committees are aware of their respective scope of responsibilities and will respond to questions addressed to them at General Meetings.</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**

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

**Practice 13.3**

Listed companies should leverage technology to facilitate–

- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Company view that physical meeting is more effective and interactive way to communicate and engage with shareholders; and to facilitate the participation of shareholders whom may be less familiar with, or are without access to technology.</p> <p>General Meetings of the Company are held in accessible locations within the Klang Valley. Shareholders who are unable to attend General Meetings of the Company may, in accordance with the Constitution of the Company, appoint their respective proxies or the Chairman of the meeting to vote on their behalf.</p> <p>The Company had adopted electronic voting for the conduct of poll on all resolutions at the AGM and provided e-lodgement channel for shareholders to lodge form of proxy electronically to the Company.</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 Company will review the mode of meeting for the General Meetings of the Company annually, taking into consideration the prevailing regulatory requirements.
<b>Timeframe</b>	:	Others
		Review in 2025.

**Intended Outcome**

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

**Practice 13.4**

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Chairman ensures that the general meetings provide adequate opportunity for shareholders to have effective communication with the Board and senior management. During the 54<sup>th</sup> AGM, the Chairman invited questions from the shareholders or proxies who present at the meeting before each proposed resolution was put to a vote. In addition, shareholders were also provided opportunity to submit questions to the Board prior to AGM to cfo-hlfg@hongleong.com.my.</p> <p>The questions raised by shareholders and responses by the Company were minuted and uploaded to 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**

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

**Practice 13.5**

The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

<i>Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.</i>		
<b>Application</b>	:	Not applicable – only physical general meetings were conducted in the financial year
<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**

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

**Practice 13.6**

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

<i>Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.</i>		
<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The minutes of the 54 <sup>th</sup> AGM were published on the Company's Website within 30 business days after the 54 <sup>th</sup> AGM.
<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>	:	
	:	

## **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 2024 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 2024.

### **Remuneration – Qualitative Disclosures**

#### **Remuneration Framework**

Hong Leong Financial Group (“HLFG”)’s remuneration strategy 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 & Ethics for employees, 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 President & CEO, Senior Officers and other material risk takers are reviewed and approved by the NRC and Board annually. “Senior 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 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 Officers" and "other material risk takers". For the FY2024, there were no "other material risk takers" identified for the Company.

### **Remuneration Principles**

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

#### **Principle 1 - Oversight by NRC & Board of Directors**

- The NRC responsibilities are to:
  - recommend to the Board the framework and policies governing the remuneration of the Directors, President & CEO, Senior Officers and other material risk takers;
  - review and recommend to the Board for approval the specific remuneration packages of executive directors and the President & CEO;
  - review and recommend to the Board for approval the remuneration of key Senior Officers and other material risk takers.
- The NRC 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 committee and BARMC during the performance appraisal stage to ensure that risk exposures and risk outcomes are adequately considered. Any negative outcome on internal audit, risk and compliance requirements will result in a significant impact on variable pay.
- 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 Officers 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”)**

- HLFG 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 HLFG 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, HLFG 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 President & CEO and Senior Officers must be endorsed by the Chairman of BARMC before it is presented to the NRC for deliberation and endorsement. Board of Directors approve the NRC recommendations and/or empower the NRC to approve the BIP allocation.

### **Measurement of Performance**

HLFG'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.

### **Pay Mix Delivery and its Purpose**

The overall Total Compensation generally includes base pay, fixed cash allowances, performance based variable pay, long term incentives, benefits and other employee programmes.

#### **1. Fixed Pay (base pay and fixed cash allowances)**

Fixed pay is delivered at an appropriate level taking into account skills, experience, responsibilities, competencies and performance; ensuring its competitiveness vis-à-vis comparable institutions for attraction and retention purposes.

#### **2. Performance-based variable pay**

Performance-linked variable pay in the form of bonuses is paid out at the end of the financial year subject to HLFG's performance and in recognition of individual performance and key achievements during the year. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. A robust key performance indicators setting process that incorporates risk management as part of the scorecards are also in place to ensure excessive risk taking behaviours of staff are minimised and sufficient control mechanisms are in place. Variable bonus awards for the CEO, Senior Officers and other material risk takers and in excess of certain thresholds will be deferred over a period of time.



### 3. Long term incentives

HLFG also recognises and rewards individuals for their contributions towards HLFG'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.

The clawback mechanism for performance based variable pay and long term incentives ("**Variable Pay**") can be 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, Misstatements, Material Risks and/or Malfeasance of Fraud. The Variable Pay 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 crystallize over a period of time, reinforces HLFG's corporate and risk culture in promoting prudent risk taking behaviours.

### 4. Employee Benefits and Development programs

Employee benefits (e.g. health screening, health and medical benefits, leave passage) are used to foster employee value proposition and wellness to ensure the overall well-being of our employees while employee development programmes (e.g. development opportunities) are used to upgrade the employee skills and take on assignments within the Group. These are being reviewed annually to ensure HLFG remains competitive in the industry and that the employees are well taken care of.

### Remuneration Disclosure

The remuneration of the CEO, Senior Officers and Other Material Risk Takers of the Company for the financial year ended 30 June 2024 is shown in the tables below:

#### i) CEO

NAME	CATEGORY	CASH (RM)	SHARES (RM)	TOTAL (RM)
Tan Kong Khoon	<b>Fixed remuneration awarded for FY2024</b>	3,720,000	-	3,720,000
	<b>Variable remuneration awarded for FY2024</b>			
	1) Non-deferred	5,856,000	-	5,856,000
	2) Deferred	2,934,000	-	2,934,000

ii) Senior Officers and Other Material Risk Takers (including CEO)

CEO and Senior Officers	No. of officers received	Total value of remuneration awarded for FY2024		Total amount of Outstanding deferred remuneration as at 30.6.2024 (RM)	Total amount of Outstanding deferred remuneration paid out (vested) in FY2024 (RM)
		Unrestricted (RM)	Deferred (RM)		
<b>Fixed Remuneration</b>					
<i>Cash-based</i>	4	5,911,200	-	-	-
<i>Shares and share-linked instruments</i>	-	-	-	-	-
<i>Other</i>	-	-	-	-	-
<b>Variable Remuneration</b>					
<i>Cash-based</i>	4	6,775,200	3,054,550	3,054,550	2,592,740
<i>Shares and share-linked instruments</i>	1	-	-	-	2,295,989*
<i>Other</i>	-	-	-	-	-

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

There are no other material risk takers identified for FY2024.