



 **HongLeong Bank Berhad**

SUSTAINABILITY REPORT 2018



**+ Overview**

About This Report	02
Sustainability Themes FY2018	03
Key Highlights	04
Chairman and Group Managing Director/ Chief Executive Officer's Sustainability Review	06
About Hong Leong Bank	12

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**+ How Sustainability is Governed** 24

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**+ Our Sustainability Approach**

Our Materiality Matrix	25
Sustainability Risk Management	26
About Our Material Topics	28
How Our Material Topics Relate to the United Nations Sustainable Development Goals (UN SDGs)	30
Stakeholder Inclusiveness	31
How We Engage with Our Stakeholders	32
Stakeholder Concerns and Concerns Raised and Our Actions	34

---

**+ Digital At The Core**

Digital Transformation	38
Digital Branch	40
Digitisation Enhancement	42
Digital Connect Retail	42
Digital ConnectFirst for Business	44
Digitisation of Customer Experiences	46
Towards a Cashless Society	47
Digitisation of Bank Operations	49
Digitising Employees Experiences	51
Digitisation in Shariah Knowledge Sharing	51
Digitisation in Human Resource Operation	51
Digitisation in Cyber Security and Data Privacy	52



<b>+ Fit For Future Workforce</b>	
Nurturing a Culture of Innovation and Excellence	54
Talent Acquisition	55
Investing in Talent	55
Developing Our Talent	56
Digital Training	58
Retaining Talent and Strengthening Employee Communications	59
Diverse and Inclusive Workforce	59
Employee Engagement	59
Remuneration Policy Disclosure	60
Employee Benefits	60
Safety and Well-being	61
Ethics, Integrity and Compliance	61

---

<b>+ Environmentally and Socially Responsible</b>	
Managing Our Environmental Footprint through Environmental Sustainability	66
Energy Efficiency for Sustainable Operations	66
Responsible Lending/Financing	70
Financial Inclusion and Socially Responsible	71
Hong Leong Foundation Philanthropy Initiatives	76

---

<b>+ SME Growth</b>	
Empowering SMEs on the Financial Front	83
Innovative Digital Solutions for SMEs	84

---

<b>+ GRI STANDARD Content Index For "IN ACCORDANCE: CORE"</b>	85
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<b>+ External Assurance Report</b>	93
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**This is Hong Leong Bank's second Sustainability Report, covering our financial year from 1 July 2017 – 30 June 2018 (FY2018). FY2017 was our first year of sustainability reporting. This Report highlights the actions that we took throughout the year to create value for our shareholders. For a comprehensive understanding of the strategies and performance of the Bank, the report should be read along with our 2018 Annual Report.**

This Sustainability Report was prepared in accordance with the Global Reporting Initiative Standards ("GRI Standards"): Core option, through which we have sought to communicate the impact of our economic, environmental and social ("EES") performance. The GRI Standards Content Index on pages 85 to 92 provides references to specific topics.

The production of this report was also guided by local and international standards such as Bursa Malaysia's Sustainability Reporting Guidelines and the United Nations Sustainable Development Goals ("SDGs"). We mapped our sustainability actions against those SDGs in which we are able to have the most impact. A summary of some of our key initiatives in relation to the SDGs is on page 30 of this report.

The data provided in this report relates to issues determined as important to both the Bank and our stakeholders via a materiality analysis. Ten topics are presented under Four Strategic Themes that reflect key priorities targeting our most important stakeholders, namely our customers, employees, regulators, shareholders and investors. These themes clearly outline our strategies: Digital at the Core; Fit for Future Workforce; Environmentally and Socially Responsible; and Small and Medium Enterprises ("SME") Growth.


For each topic, we have provided an overview of the Bank's current position and laid out our initiatives under each strategic theme. We also provide information about quantitative data and targets to be met; and systems that will allow us to monitor and measure our performance. In this report, we present up to date quantitative data that will enable our stakeholders to understand how we are progressing in areas that are of particular interest to them.

We recognise that many stakeholders are no longer interested only in the financial performance of companies, and our Sustainability Report provides the information they desire on our overall EES scorecard.

The contents of this Sustainability Report are governed by a Sustainability Committee that reviewed all material topics to ensure they aligned with the organisation's strategies. The report was recommended to the Board Risk Management Committee ("BRMC") of the Board of Directors for their endorsement on 12 September 2018. The Board approved the contents of this Sustainability Report on 19 September 2018.

As an assurance of the reliability of the data provided in this report, we sought the verification of an independent body, Malaysia's leading certification, inspection and testing body, SIRIM.

Reporting scope: All data in this report relates to the operations of Hong Leong Bank ("HLB") and Hong Leong Islamic Bank ("HLISB") in Malaysia as they represent our most material businesses.

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

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## Sustainability Themes FY2018

HLB Corporate Vision

"Highly digital and innovative  
ASEAN financial services company"

HLB Mission

To help clients succeed through simple, relevant, personal and fair banking;  
To provide our people with the best opportunities to realise their potential;  
To create stakeholder value.

HLB  
Sustainability  
Themes



Digital at the Core



Fit for Future Workforce



Environmentally and  
Socially Responsible



SME Growth

Our  
Materiality  
Topics

- Digital Innovation
- Customer Experience
- Cyber Security and Data Privacy
- Ethics, Integrity and Compliance

- Employee Experience
- Ethics, Integrity and Compliance

- Managing Our Environmental Footprint
- Supplier Assessment
- Responsible Lending
- Fair Banking
- Community Banking

- Community Banking

Sustainability Risk Management

### HLB Sustainability Themes

### Description



Digital at the Core

Embracing digital transformation and building internal capability for greater customer experience, accessibility and efficiency.



Fit for  
Future Workforce

Acquiring strategic skills to enhance critical and core capabilities. Hiring and retaining a high performing inclusive workforce fit for the digital era training.



Environmentally and  
Socially Responsible

Managing the environmental footprint of our operations. Advocating social and environmental responsibility through our products and services.



SME Growth

Support the growth and capability development of SMEs through the provision of relevant tools, knowledge, and banking products and services. Facilitate access to financing for underserved SMEs. Support the entrepreneurial spirit of start-ups and FinTechs to build a vibrant future business community.





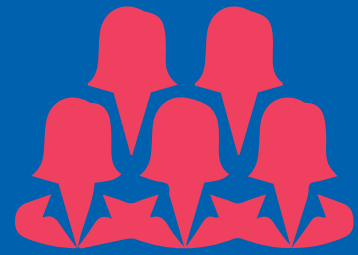
### HONG LEONG FOUNDATION PHILANTHROPY INITIATIVES

Total sponsorship of RM4.29 million

**RM940,925**

benefitted the community  
development beneficiaries

For more information, please refer to page 76.



### FEMALE REPRESENTATION IN EXECUTIVE MANAGEMENT

FY2018

Senior  
Management

40%

Top  
Management  
(C-Suite)

22%

For more information, please refer to page 18.

### EMPLOYEE DEVELOPMENT



FY2018

Average Training Hours For Each Employee

30

Hours  
Classroom

7

Hours  
e-Learning

For more information, please refer to page 57.

### OPERATING EXPENSES



**RM2,060  
MILLION**

TOTAL TAXES PAID  
FOR FY2018



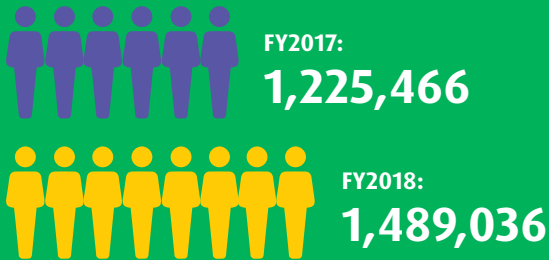
**RM660  
MILLION**

For more information, please refer to our Annual Report 2018.



## RESULTS FROM CUSTOMER SURVEY ANALYSIS

### Customers using Digital Products and Services



### Customers' Satisfaction Score Rating on HLB Connect APP



For more information, please refer to page 43.

## TOTAL DISBURSEMENT OF SCHOLARSHIPS FOR DIPLOMA/UNDERGRADUATE AND MASTERS STUDIES, REACH OUT AND RISE ("ROAR") AND GERMAN DUAL VOCATIONAL TRAINING ("GDVT") PROGRAMS



Approximately  
**RM3,111,603**  
*(in FY2018)*

For more information, please refer to page 76.



FY2018 total weight of recyclable material used in operation was 45,000kg, of which 15,000kg or

**33%**  
**WAS RECYCLED AFTER USE**

For more information, please refer to page 67.

## SUSTAINABILITY REPORT FY2017 AWARDS AND RECOGNITION



Finalist in Asia's Best First Time Sustainability Report, 2017 Asia Sustainability Reporting Awards



Top 20 Shortlisted for the ACCA Malaysia Sustainability Report Awards ("MaSRA") 2017



# CHAIRMAN AND GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S SUSTAINABILITY REVIEW

102-14



## To Our Shareholders, Customers, Other Stakeholders and Employees,

The HLB Board of Directors is proud to announce that the Bank has met the globally recognised standards for inclusion in the FTSE4Good Bursa Malaysia Index, with effect from 18 June 2018. The FTSE4Good Bursa Malaysia Index is a standard designed to measure the performance of companies demonstrating good Environmental, Social and Governance ("ESG") practices.

HLB aims to actively contribute to the development of our society and our nation. We strive to meet our stakeholders' expectations responsibly while creating value for all by executing strategies in four key areas: Digital at the Core, Fit for the Future Workforce, Environmentally and Socially Responsible Business Practices, and Facilitating SME growth. This report details our 2018 performance in these four areas.





## CHAIRMAN AND GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S SUSTAINABILITY REVIEW

102-14

### COMMITMENT TO SUSTAINABLE PERFORMANCE

HLB plays a supporting role in the sustainable development of our nation. We integrate sustainability into our business practices, and meet the requirements of both traditional and Islamic banking, by taking corporate governance, environmental and social factors into consideration when designing products and strategies. Our activities range from large scale public infrastructure projects to micro lending that supports agricultural activities and empowers rural communities. HLB employees are encouraged to contribute to CSR-related activities, either directly or indirectly.

This Sustainability Report details HLB's initiatives and strategies, outlines the KPIs for senior management and working committees, and demonstrates the commitment of our workforce to their respective targets and initiatives.



### CORPORATE GOVERNANCE AS THE FOUNDATION OF SUSTAINABILITY

All HLB business activities are guided by stringent principles and policies and the Board and our management team ensure that the core principles are communicated to, and practised by, all of our employees.

In FY2018, we focused on operational excellence and maintaining the momentum built in previous years. To that end, we reviewed the Bank's Code of Conduct and Ethics with three primary objectives in mind.

#### Objectives of reviewing the Code of Conduct and Ethics

1

##### TO ENSURE

that the provisions within the code are relevant and up-to-date, reflecting current best practices, and meeting customers, community and regulatory expectations;

2

##### TO REFLECT

the principles in the recently introduced Code of Ethics for the Financial Services Industry published by Financial Services Professional Board ("FSPB") and Bank Negara Malaysia; and

3

##### TO PROMOTE

a strong culture of professionalism among employees of Hong Leong Bank.



CHAIRMAN AND GROUP MANAGING DIRECTOR/  
CHIEF EXECUTIVE OFFICER'S SUSTAINABILITY REVIEW

102-14

PRINCIPLES OF  
FSPB'S CODE OF  
ETHICS



INTEGRITY AND  
COMPLIANCE



COMPETENCE



FAIRNESS



CONFIDENTIALITY



OBJECTIVITY



ENVIRONMENT

Alongside the review, we adopted the five principles of FSPB's Code of Ethics: Integrity and Compliance, Competence, Fairness, Confidentiality and Objectivity. In addition, we emphasised our commitment to fostering a safe, healthy and non-discriminatory environment and added our own sixth principle, Environment, to the Code.

A strong and consistent Corporate Governance Framework is essential to business sustainability. Our diverse and experienced Board of Directors provides independent oversight and ensures that we maintain strong corporate governance practices. Policies relating to Whistleblowing, Anti-Money Laundering, Anti-Bribery and Anti-Corruption, Human Rights, Code of Conduct, and our sustainability practices are frequently reviewed and updated to ensure we continue to meet best practice standards.

**SUSTAINABLE COLLABORATION WITH  
CUSTOMERS AND PARTNERS THROUGH OUR  
DIGITALISATION JOURNEY AND FIT FOR THE  
FUTURE WORKFORCE**

FY2018 saw an evolution of our sustainability journey and we defined our future economic, social and governance goals in relation to customer engagement. Each and every person at the Bank has a role to play in realising our sustainability objectives and we work together with our network of clients, partners and other stakeholders to collectively deliver our commitments. By focusing our efforts on the opportunities that align most closely with our core strengths, we will have the greatest and most sustainable impact.

Our investment in digitalisation helped us to better meet customer expectations in FY2018. The banking industry is responding swiftly to the global digital transformation and customers expect more than traditional products and services. We strive to adapt our digital strategies and processes to meet these evolving expectations. Providing easy to use mobile and online banking platforms are of utmost importance to our customers.

**DIGITAL JOURNEY GAINING MOMENTUM**

Our digital journey, "Digital at the Core" began 2.5 years ago. Today, we continue to ensure that digital improvements in products and services are delivered seamlessly. Our IT infrastructure is upgraded regularly to ensure digital-ready platforms that are agile and customer centred. Our digitalisation initiatives have enabled 24/7 online banking, which has significantly improved our customer service.

A mobile e-learning application, "SmartUp", was launched in FY2018 to enable our 8,000-strong workforce to access bite-sized learning content on the go. SmartUp is a pillar of our Digital at the Core strategy and it enhances the overall banking experience of our customers and our employees.

From new technologies to new competition, we will continue to find opportunities in challenges so we can lead the digital financial services transformation. As we develop innovative ways to meet customer expectations with refreshing customer experiences, we will remain focused on maintaining robust cyber security capabilities to safeguard customer data, privacy and security.



## CHAIRMAN AND GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S SUSTAINABILITY REVIEW

102-14



**OUR FIT FOR FUTURE PROGRAM EMPOWERS OUR WORKFORCE WITH SIX HORIZONTAL CAPABILITIES TO DRIVE THE WAY WE DO BUSINESS AND STAY RELEVANT TO OUR CUSTOMERS.**

### EMPOWERING A FUTURE READY WORKFORCE

As we continue to refine our processes and renew our products and services in our journey to becoming a company that is digital at the core, we are also empowering our workforce to be ready for the future.

By working with stakeholders and digital subject matter experts, we have identified a suite of horizontal capabilities for our workforce. Our Fit For Future program is designed with the end-goal of serving our customers better and faster by improving the way we do our business, and staying relevant to the need of our customers. The program comprises of 6 pillars: Design Thinking/Human Centered Design, Agile, Digital Awareness, Data Driven Decision Making, Risk & Compliance and Future Communication.

We are transforming the way we attract talent as well. HLB Launchpad, our in-house fintech accelerator program has incubated and grown local start-ups such as Kakitangan.com, CapitalBay, PropSocial, blinkware and SalesCandy. This year, we will organise our first 24 hour hackathon in October to seek out the best ideas and solutions to reimagine banking.



CHAIRMAN AND GROUP MANAGING DIRECTOR/  
CHIEF EXECUTIVE OFFICER'S SUSTAINABILITY REVIEW  
102-14

**CUSTOMER-CENTERED PRODUCTS AND SERVICES TO ENSURE SUSTAINABILITY**

Our approach to sustainability is reflected in our commitment to ensuring HLB's policies, practices, products and services are aligned to our corporate purpose and mission. This commitment is also demonstrated by our innovative, safe, transparent and user-friendly financial solutions that give people greater control of their finances.



Policies

HLB aims to strengthen local economies by working with and investing in them. Our focus on SMEs reflects our entrepreneurial roots and the desire to see businesses and communities prosper. SMEs have excellent potential for development when tailored financial solutions are made available to them.



Practices

In June 2018, we launched our comprehensive e-Business Solution package, which is powered by five business tools: HL ConnectFirst Lite, Biztory, Kakitangan, SimpleTax and Digital Advert. The tools form an innovative

and comprehensive suite of digital business and financing solutions that are designed to meet the needs of SMEs, including cash management, advertising and promotion, property financing and working capital requirements, and enhance their ability to digitise their businesses and leverage opportunities to grow.



Products

*HLB aims to strengthen local economies by working with and investing in them.*

This new digital business solution, which is part of our "Digital at the Core" strategy, demonstrates our determination to continuously redefine our offerings to enhance our customers' banking experiences. You can read more about these new offerings on page 43 of this report.



Programs

We provide responsible banking services by evaluating businesses based on the ESG risk framework, which ensures that we conduct business with organisations that are environmentally responsible and ethical.



## CHAIRMAN AND GROUP MANAGING DIRECTOR/ CHIEF EXECUTIVE OFFICER'S SUSTAINABILITY REVIEW

102-14

HLB's future success relies on our sustainability practices and strong progress was made across our businesses and geographical markets in FY2018. We are proud of the growing suite of innovative products, services and partnerships that the Bank has developed to deliver both societal and commercial value.

In the coming year, we will continue to invest in products, services and our people. Continuous improvement is central to all that we do with customers and stakeholders as we strive for greater achievements and sustainable outcomes in our business journey.

We will also strengthen our dialogue with customers and other stakeholders, enhance the level of engagement, and actively use our position in society to be a positive force for sustainable development.





## ABOUT HONG LEONG BANK

102-1, 102-3, 102-4, 102-5, 102-7, 102-11

**HONG LEONG BANK BERHAD IS A REGIONAL FINANCIAL SERVICES COMPANY BASED IN MALAYSIA (AND HEADQUARTERED IN KUALA LUMPUR) WITH PRESENCE IN SINGAPORE, HONG KONG, VIETNAM, CAMBODIA AND CHINA. PART OF THE HONG LEONG GROUP, WE WERE LISTED ON THE KUALA LUMPUR STOCK EXCHANGE (NOW UNDER THE MAIN MARKET OF BURSA MALAYSIA) ON 17 OCTOBER 1994.**



We are a community and customer-centred bank serving our customers through an extensive network of 273 branches in Malaysia. We have one branch each in Singapore and Hong Kong, four branches/outlets in Vietnam, five branches in Cambodia, a representative office in Nanjing, as well as over 1,100 Self-Service Terminals, and a full-service call centre. This is supplemented by HLB Connect/HLB Connect First, our popular online and mobile banking services.

We also have a strong presence in the provision of Islamic financial services in Malaysia through Hong Leong Islamic Bank ("HLISB"), which was established in 2005.

In recent years, we have escalated efforts in the area of digitisation by integrating electronic and digital facilities and processes to enhance the overall customer banking experience.

Our dedication to harnessing cutting-edge technologies and providing a comprehensive range of conventional and Islamic financial products and services makes one of Malaysia's leading integrated financial services organisations.



An Extensive Network of 273 Branches in Malaysia



Over 1,100 Self-Service Terminals





## ABOUT HONG LEONG BANK

102-16

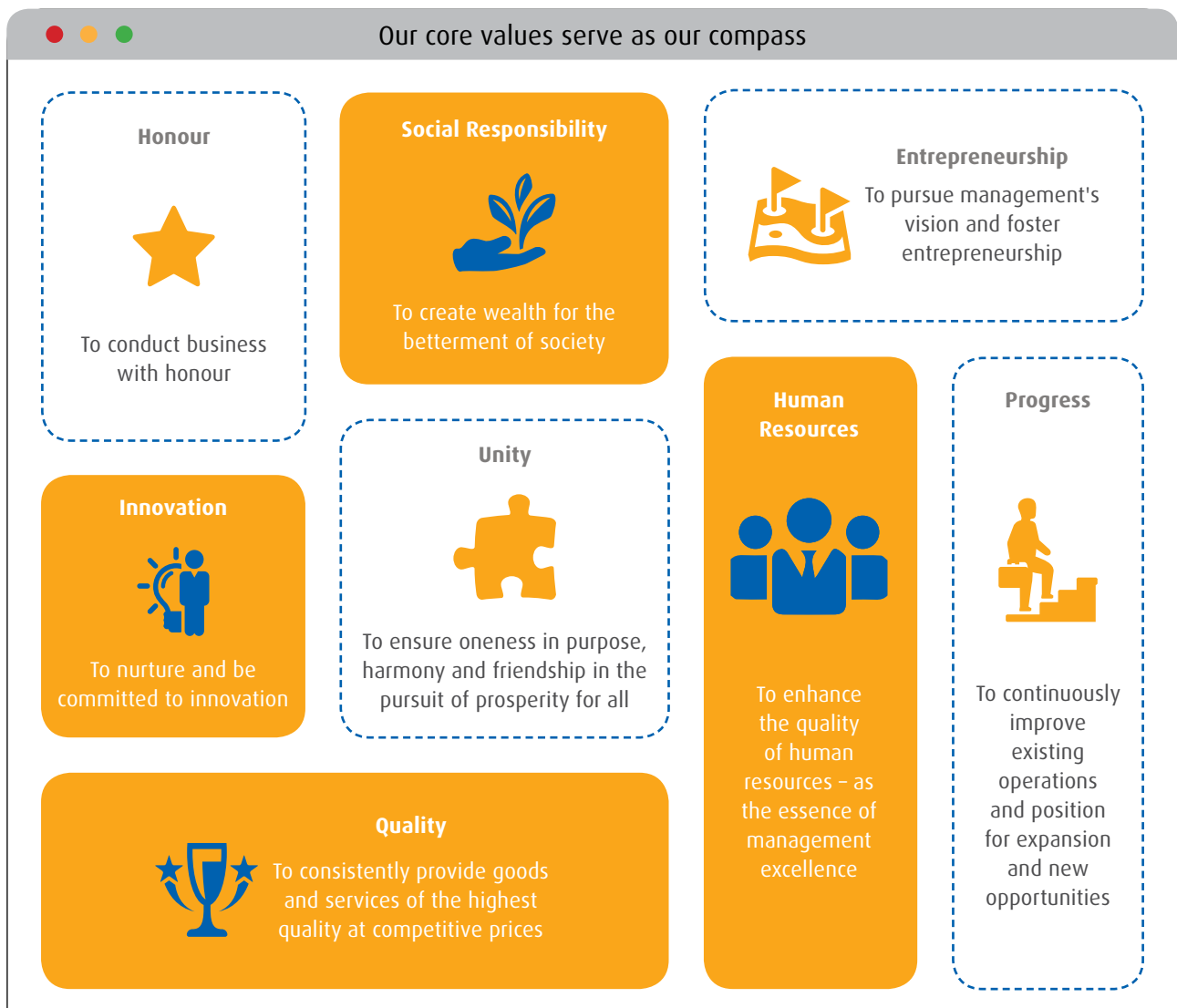
### OUR GROUP VALUES

HLB and our wholly-owned subsidiary HLISB are members of the Hong Leong Group ("the Group"). From a building materials trading company founded in 1963, we have grown to become one of the largest conglomerates in Southeast Asia.

The Group was built on a strong heritage of value creation for our stakeholders and communities within which we operate. Over the decades, we have taken a progressive approach to integrating sustainability into our businesses to become stronger and more resilient.

These values are developed by the Group and approved by the board. The values were instilled within the employees through the on-boarding program. At the moment, the program is only available in English.

We are committed to growing our businesses responsibly, balancing environmental and economic considerations, creating positive impacts for our stakeholders and contributing to our communities.



ABOUT HONG LEONG BANK  
102-3, 102-6

**REGIONAL FOOTPRINT**

**HLB became the first Malaysian bank to enter the Chinese banking sector with an 18% strategic shareholding in the Bank of Chengdu Co., Ltd in 2008. In December of the same year, we became the first Southeast Asian bank to be granted a license to incorporate and to operate a wholly-owned commercial bank in Vietnam. In 2013, we launched a wholly-owned commercial bank in Cambodia and in November of the same year, we set up a representative office in Nanjing. Building on our strong entrepreneurial roots and firm foundation values, we are committed to embedding ourselves in the communities where we operate to meet the needs of our customers.**

**CAMBODIA**

In July 2013, Hong Leong Bank (Cambodia) PLC ("HLBCAM") commenced operations as a wholly-owned subsidiary providing comprehensive financial services covering consumer banking, business banking, global markets and transaction banking services. With five branches located in Phnom Penh, HLBCAM's customer focus is towards established SME and commercial corporate customers, high net worth individuals, affluent and emerging affluent as well as tech-savvy young professionals.

**MALAYSIA**



## ABOUT HONG LEONG BANK

102-3, 102-6

### INVESTMENT IN CHINA

The Bank of Chengdu is a leading commercial bank in Western and Central China based in Chengdu, capital of Sichuan Province. In March 2010, Sichuan Jincheng Consumer Finance Ltd, a joint venture between HLB and the Bank of Chengdu, obtained regulatory approval to establish a consumer finance business in Chengdu. In November 2013, Hong Leong Bank set up a representative office in Nanjing and commenced operations in February the following year.

### HONG KONG

Our branch in Hong Kong, which commenced operations in 2004, offers treasury and wealth management products and services. It is the first bank in Hong Kong to launch an Islamic banking window.

### VIETNAM

Hong Leong Bank Vietnam Limited ("HLBVN"), which commenced operations in October 2009, is a commercial bank that provides retail loans, deposit products, wealth management and priority banking services to individuals. Business banking solutions include working capital and term loans, deposit and liability management products and trade finance services as well as foreign exchange ("forex") and money market services. It has three branches/outlets in Ho Chi Minh City and one in Hanoi.

### SINGAPORE

HL Bank Singapore ("HLBS") was established in July 1956. It started as Kwong Lee Bank Bhd, become MUI Bank Bhd in 1982, then Hong Leong Bank Bhd in January 1994. HLBS is a full bank-licensed branch offering wealth management, treasury and corporate banking services. In 2014, it expanded into health banking and auto finance.

ABOUT HONG LEONG BANK

102-2, 102-9, 102-10


OUR BUSINESS

HONG LEONG BANK KEY BUSINESS PILLARS




**PERSONAL FINANCIAL SERVICES** 

- |  |   |
|--|---|
| <b>Products:</b>   | <b>Services:</b>  |
| <ul style="list-style-type: none"> <li>• Property loans</li> <li>• Auto loans</li> <li>• Personal loans</li> <li>• Credit cards</li> <li>• Share Financing</li> <li>• Investment</li> <li>• Insurance</li> </ul> | <ul style="list-style-type: none"> <li>• Deposits</li> <li>• Remittances</li> <li>• Debit cards</li> <li>• Wallet payments</li> <li>• Merchant services</li> <li>• Wealth management</li> </ul> |

**BUSINESS AND CORPORATE BANKING** 

Business and Corporate Banking provides banking facilities and services for corporate, institutional, commercial and SME clients. Our range of services and products include:

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Term loans</li> <li>• Bridging loans</li> <li>• Industrial Hire Purchase</li> <li>• Overdrafts</li> </ul> | <ul style="list-style-type: none"> <li>• Revolving Credit Facilities</li> <li>• Fixed Deposits</li> <li>• Current Accounts</li> <li>• Trade Facilities</li> </ul> |
|--|---|

**GLOBAL MARKETS** 

Global Markets helps clients meet their investment and hedging needs by offering treasury products including foreign exchange, fixed income, money market, derivatives and structured investment products.



**SECTORS SERVED**

(Sectors based on Bank Negara Malaysia's industry and sector definition)

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Manufacturing</li> <li>• Wholesale and Retail Trade</li> <li>• Transport, Storage and Communication</li> <li>• Education, Health and Others</li> </ul> | <ul style="list-style-type: none"> <li>• Primary Agriculture</li> <li>• Electricity, Gas and Water</li> <li>• Construction</li> <li>• Real Estate</li> <li>• Mining and Quarrying</li> <li>• Finance, Insurance and Business Activities</li> </ul> |
|---|--|



**TYPES OF CUSTOMERS AND BENEFICIARIES**


- Sole Proprietors
- Partnerships and Limited Liability Partnerships
- Private Limited Companies
- Corporations

HONG LEONG ISLAMIC BANK KEY BUSINESS PILLARS



**PERSONAL FINANCIAL SERVICES (HLISB)** 

- Property Financing-i
- Auto Financing-i
- Personal Financing-i
- Deposit: CASA-i, Fixed Deposit-i
- Wealth Management-i: Will Writing, Unit Trust, Takaful

**GLOBAL MARKETS (HLISB)** 

Global Markets helps clients meet their investment and hedging needs by offering Islamic treasury products including Islamic foreign exchange, sukuku, Islamic money market, Islamic hedging instruments and structured investment products.

**BUSINESS AND CORPORATE BANKING (HLISB)** 

- Islamic Term Financing
- Islamic Cashline
- Islamic Revolving Credit
- Islamic Fixed Deposits
- Islamic Current Account
- Islamic Trade Finance
- Islamic Capital Markets
- Islamic Transactional Banking Services

OUR SUPPLY CHAIN

Approximately 1,000 vendors supply us with products and services to support our business operations. We promote local businesses by ensuring 100% of non-IT suppliers are Malaysian companies. The Bank also appoints Malaysian vendors for security services, telecommunications services, office equipment, furniture and fittings, maintenance, cleaning services, real estate, dataline, courier services, security devices and other services. To ensure that we procure the most up-to-date and efficient IT systems, we engage multinational suppliers with local presence, which strengthens our drive to build a vibrant local business environment.



## ABOUT HONG LEONG BANK

102-3

CHANGES IN OPERATIONS  
(FACILITY OPENINGS, CLOSINGS AND EXPANSIONS)

**DURING THE YEAR, THESE CONVENTIONAL BRANCHES (HLB AND HLISB) WERE AMALGAMATED DUE TO AN OPERATION CONSOLIDATION EXERCISE:**

HLISB - JALAN PERAK MAIN, WHL  
 HLB - GIZA DATARAN SUNWAY BRANCH  
 HLB - BUTTERWORTH BRANCH  
 HLB - TM SRI TUNAS, B.BAYAN BARU BRANCH  
 HLB - LEBOH TENGGU KUDIN 1, JELUTONG BRANCH  
 HLB - PASAR ROAD BRANCH

HLB - JLN MEGA MENDUNG BRANCH  
 HLB - LUCKY GARDEN, BANGSAR BRANCH  
 HLB - BANDAR BARU KLANG BRANCH  
 HLB - PETALING JAYA BRANCH  
 HLB - PUSAT BANDAR PUCHONG BRANCH  
 HLB - PULAU TIKUS BRANCH

For more information, please log on to <https://www.hlb.com.my/en/personal-banking/help-support/branch-locator.html>



ABOUT HONG LEONG BANK

102-8, 401-1

OUR PEOPLE



WE BUILT A WIN-WIN PLATFORM FOR OUR WORKFORCE TO DRIVE SUCCESS AND ENHANCE CAREER DEVELOPMENT.

THE STRATEGIC THEME "DIGITAL AT THE CORE" WAS INCORPORATED INTO THE DAILY OPERATIONS OF OUR WORKFORCE.

Description	FY2017		FY2018	
	HLB	HLISB	HLB	HLISB
<b>Employees</b>				
Total Number	8,212	177	8,045	182
Senior Managers	265	15	265	18
Managers	1,831	50	1,856	56
Executives	4,271	75	4,098	75
Non-Executives	1,845	37	1,826	33
<b>Permanent Employees</b>				
Permanent Employees	7,672	173	7,698	180
Contract Employees	540	4	347	2
<b>Female</b>				
Female	5,223	93	5,081	99
<b>Male</b>				
Male	2,989	84	2,964	83
<b>Union</b>				
Union	1,841	37	1,821	33
<b>Non-Union</b>				
Non-Union	6,371	140	6,224	149
<b>Age Group</b>				
Below 30 years	1,740	28	1,521	31
30-50 years	5,798	140	5,777	138
Above 50 years	674	9	747	13
<b>Diversity</b>				
Malay	2,349	138	2,419	147
Chinese	5,058	26	4,799	22
Indian	569	7	577	7
Others	236	6	250	6

Description	FY2017	FY2018
	HLB and HLISB	HLB and HLISB
% of Women in Senior Management	42%	40%
% of Women in Top Management (C-suite)	25%	22%














## ABOUT HONG LEONG BANK

102-12, 102-13

## WHO WE ASSOCIATE WITH

We are a member of a number of organisations and associations that enable us to strengthen our operating principles and help us fulfil our responsibilities.

Association	Benefits to our stakeholders
 <b>Federation of Malaysian Manufacturers</b>	Through our membership we support Malaysian manufacturers and the nation's growth and modernisation.
 <b>Ombudsman for Financial Services</b> <i>(formerly Financial Mediation Bureau)</i>	Provides a channel for our customers to lodge complaints about our products and services, and resolve them without incurring costly legal fees.
 <b>The Association of Banks in Malaysia</b>	Through the association, we are actively involved in initiatives to promote and strengthen the commercial banking industry.
 <b>Asian Institute of Chartered Bankers</b> <i>("AICB", formerly Institute of Bankers Malaysia)</i>	AICB is committed to elevating the banking education landscape by enhancing the quality of professionals who work within the industry.
 <b>FIDE Forum</b>	Through the Forum, we keep abreast of best practices in corporate governance ("CG"), which serves to strengthen our internal processes and our CG outcomes.
 <b>The Community Chest</b>	This organisation promotes quality education for all and provides marginalised communities with funds and programs that enhance the provision of education to children.
 <b>Cagamas Holdings Berhad ("Cagamas")</b>	We benefit from Cagamas' Purchase With Recourse, Purchase Without Recourse, and Mortgage Guarantee activities. The company purchases mortgage loans/financings, personal loans, and hire purchase and leasing debts from primary lenders and issues bonds and notes to finance the purchases.



ABOUT HONG LEONG BANK

102-12, 102-13

Association	Benefits to our stakeholders
 <b>Payments Network Malaysia Sdn Bhd ("PayNet")</b>	<p>Through PayNet, our customers have access to cash at more than 11,000 terminals throughout the country.</p>
 <b>Credit Guarantee Corporation ("CGC")</b>	<p>Enterprises, and particularly SMEs, without collateral have access to financing through CGC schemes such as BizJamin and the Green Technology Financing Scheme.</p>
 <b>RAM Holdings Berhad</b>	<p>We are able to tap into services offered by RAM such as obtaining business profiles and company details from The Companies Commission of Malaysia (SSM), three year financial summaries and other critical information pertaining to the financial standing of companies and their directors.</p>
 <b>ABM Investments Sdn Bhd</b>	<p>We are able to subscribe to reports from ABM, an investment holdings company, which help us to make investment decisions.</p>
 <b>AFC Holdings (Malaysia) Sdn Bhd</b>	<p>We obtain important information on companies including their registration details, banking payment history, litigation and trade reference – which helps us decide whether to extend credit or conduct business with them.</p>
 <b>Islamic Banking and Finance Institute Malaysia Sdn Bhd</b>	<p>This association allows us keep track of Shariah developments, especially with regard to finance and banking. It also enhances the Shariah services we offer our customers.</p>
 <b>ASEAN Finance Corporation Limited</b>	<p>Asean Finance Corporation engages in the design, build, integration and installation of integrated access control and security systems. It enables us to control, monitor and record the flow of people, vehicles and goods in and out of our premises using access control and security electronics.</p>
 <b>The Association of Islamic Banking Institutions Malaysia ("AIBIM")</b>	<p>HLISB is one of 26 member banks comprising 10 domestic banks, five development financial institutions, 10 locally incorporated foreign banks operating in Malaysia and one international financial institution. HLISB actively supports AIBIM to promote sound Islamic banking systems and practices in Malaysia, and to seek advice and assistance in the development of Islamic banking and finance at the local, regional and global levels while promoting public awareness.</p>





## ABOUT HONG LEONG BANK

### HERE FOR THE LONG TERM

We are "here for the long term" is one of HLB and HLISB's core principles and it reflects our commitment to sustainability. We consider our EES commitments in all of our decision-making and, we have built strong relationships with the people who matter, namely our customers, employees, shareholders/investors, suppliers/vendors, regulators, media and communities.

We are committed to helping our communities manage their finances, and are determined to do so responsibly. Responsible financing guides our business decisions and direction, influencing our product development, credit and investment approval, customer relationship management, financial management and even our human resource management. Our genuine concern for protecting the environment also influences our corporate social responsibility ("CSR") activities.

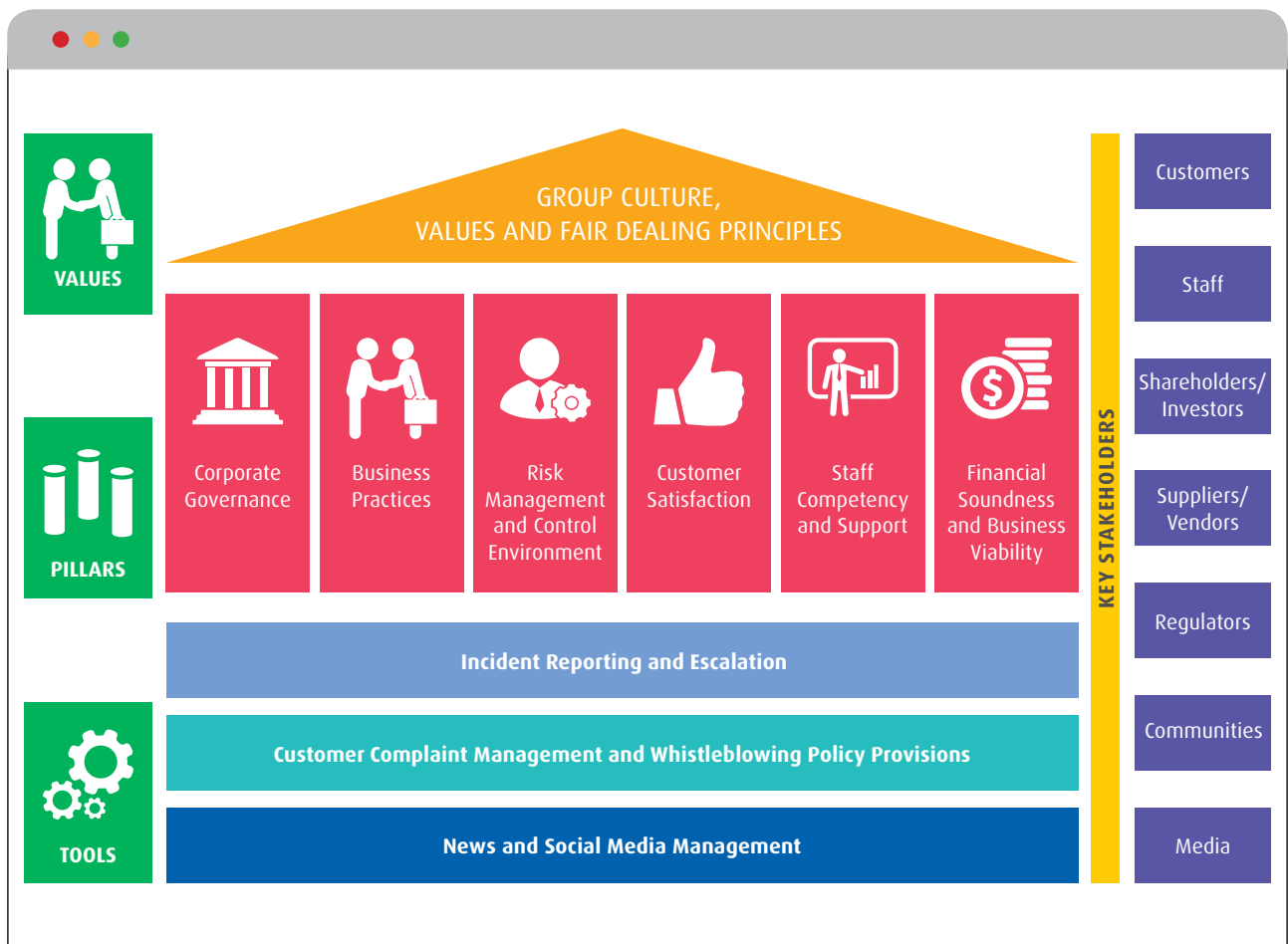
Our sustainability efforts reinforce our compliance culture and risk management principles, strategies and processes. We have a robust risk management framework through which we are able to identify, measure, control, monitor and report risk exposures across the Bank. This framework is supported by our vision for economic and social development and, enhancing opportunities for people and businesses.

Our Stakeholders will see increasing pressure from the government to tighten gatekeeping or to increase crackdowns on illegal and unethical financial transactions by detecting signs of money laundering, sanctions busting, fraud, and the financing of terrorism, and to facilitate the collection of taxes. Managing risks is an integral part of the Group's overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Group's ability to achieve its strategy and strategic objectives.

Risk governance is underpinned by the core pillars of risk culture, appetite, policies, surveillance, escalation and capacity. Above all, the approaches need to be relevant, forward looking and sustainable.



ABOUT HONG LEONG BANK



Risk assessment and evaluation is an integral part of the Group's strategic planning cycle and is responsive to the business environment and opportunities. Management committees ensure proper utilisation and investment of the Group's assets for effective risk return rewards or to limit losses. The Bank has implemented a Risk Management Framework which sets out a structured approach towards identifying, assessing and managing risks and uncertainties that could impact the Bank's ability to achieve its strategic objectives. The Bank's risk governance oversight is underpinned by the core pillars of risk culture, appetite, policies, surveillance, escalation and capacity, and the risk management work needs to be relevant, forward looking and sustainable.

In this tech-based banking era, most customers gain authentic customer experience either through traditional channels or digital interactions with their banks. The traditional media still forms the basis of HLB's media management practices. We practice an open door approach with local media and keep close ties with them to facilitate communications.

While maintaining ties with traditional media, we also allocated resources to managing and monitoring HLB's social media presence. The Bank will continue to partner with media, both traditional and digital, in the areas of branding, marketing and advertising.



## ABOUT HONG LEONG BANK

## OUR FOUR STRATEGIC THEMES

I



## DIGITAL AT THE CORE

*Embracing digital transformation and building internal capability to enhance customer and employee experience, accessibility and efficiency.*

II



## FIT FOR FUTURE WORKFORCE

*Acquiring strategic skills to enhance critical and core capabilities. Hiring and retaining a high performing and inclusive workforce fit for the digital era.*

III



## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

*Managing the environmental footprint of our operations. Advocating social and environmental responsibility through our products and services.*

IV



## SME GROWTH

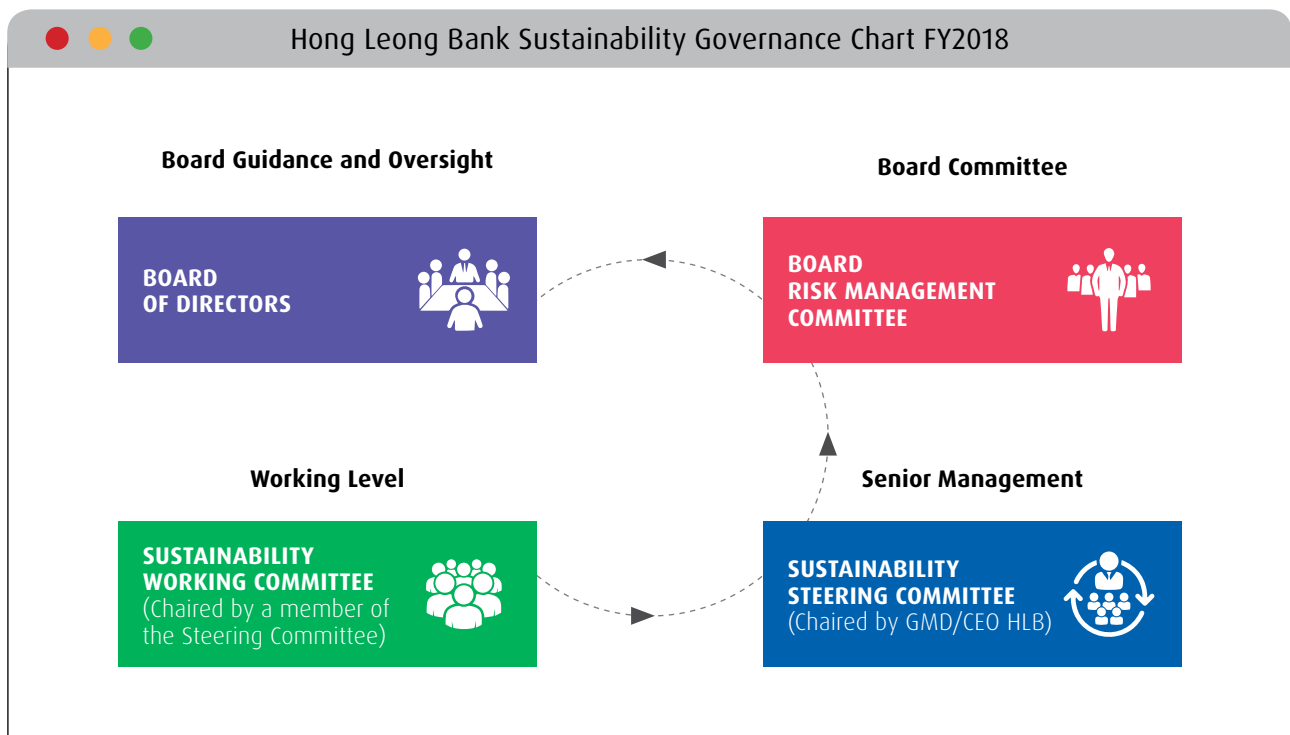
*Support the growth and capability development of SMEs through the provision of relevant tools, knowledge, and banking products and services. Facilitate access to financing for underserved SMEs. Support the entrepreneurial spirit of start-ups and FinTechs to build a vibrant future business community.*

# HOW SUSTAINABILITY IS GOVERNED

102-18, 102-19, 102-26, 102-32

Sustainability at Hong Leong Bank is driven by our Board. Our Directors, and especially those in the Board Risk Management Committee, oversee our sustainability and climate change-related actions and policies, ensuring they are aligned with our corporate values and supportive of our business goals and vision.

The Sustainability Steering Committee and Working Committee meet quarterly to discuss sustainability matters.



## HOW WE APPROACH OUR BUSINESS

Two words encapsulate our approach to business: entrepreneurial and ethical. Our entrepreneurial spirit imbues Hong Leong Bank with a unique dynamism and vigour, and our vision is based on ethical behaviour and considerations.

We have a Code of Conduct and Ethics which we expect everyone at HLB and HLISB to adhere to. All new hires are required to read and understand the code, and a copy of the document is made available on our online Knowledge Portal, which is accessible by all employees. We are currently working on an e-Learning module on our Code of Conduct and Ethics to enhance employees understanding of same.





# OUR SUSTAINABILITY APPROACH

102-15, 102-31, 102-45, 102-46, 102-47, 102-49



REVIEW

In FY2018, we reviewed our sustainability materiality matrix and the 11 material topics that were identified in FY2017. The committee proposed to consolidate Compliance, Ethics, and Integrity into one topic, "Ethics, Integrity and Compliance" for FY2018 reporting. The recommendation was accepted by steering committees. The committee then presented the sustainability targets and initiatives to management for further deliberation against the challenges and opportunities facing the Bank.

## OUR MATERIALITY MATRIX

### SUSTAINABILITY TOPICS IDENTIFIED

- Digital Innovation
- Customer Experience
- Employee Experience
- Ethics, Integrity and Compliance
- Community Banking
- Fair Banking
- Cyber Security and Data Privacy
- Responsible Lending
- Managing Our Environmental Footprint
- Supplier Assessment

#### Legend:

- Most Important
- Very Important
- Important



OUR SUSTAINABILITY APPROACH

102-15, 102-30, 102-33

SUSTAINABILITY RISK MANAGEMENT

Sustainability risk is the risk that the Bank is not able to achieve its sustainability goals. Sustainability risk management involves the design and implementation of a risk management framework to mitigate the risks.

If the Bank is not able to achieve its sustainability goals, the impacts can be classified into three categories:

Impact Categories when Sustainability Goals are Not Achieved	Description
<b>Sanctions</b>	Failure to comply with sustainability regulations could result in sanction(s) applied on the Bank.
<b>Financial Performance</b>	Failure of the Bank or the Bank's customers to comply with sustainability regulations and/or requirements could result in deteriorated financial performance of the Bank or its customers, which may adversely impact the asset quality of our portfolio.
<b>Investor Preference</b>	Research demonstrates that, the equity price performance of companies that incorporate sustainability practices is better than other companies. Increasingly, institutional investors prefer to invest in companies that embrace sustainability goals. The inability of the Bank to achieve its sustainability goals could affect us adversely in the equity market as investors choose companies that have successfully achieved their sustainability goals.

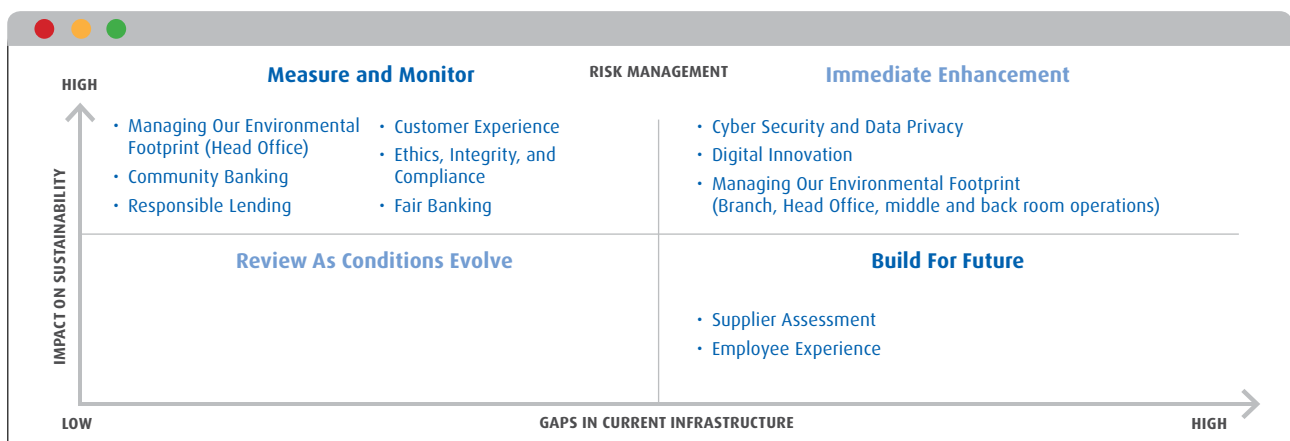
HLB has further categorised the 10 sustainability topics highlighted on page 25 into the matrix below. To support these initiatives, the Group Risk Management division identified and assessed the impact on sustainability and the gaps in the current infrastructure of the Bank. Improvement plans have been established and are in varying stages of implementation.

**'Review as Conditions Evolve'** Quadrant indicates topics that have low gaps in current infrastructure and a low impact on sustainability. This means that the topics will be reviewed annually or as conditions evolve.

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

**'Build for Future'** Quadrant indicates topics that have gaps in current infrastructure and a low impact on sustainability. Areas of improvement need to be identified for these topics. It is important for the Bank to 'build for the future'.

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





## OUR SUSTAINABILITY APPROACH

102-15, 102-18, 102-30, 102-33

## SUSTAINABILITY RISK MANAGEMENT

## Measure, monitor and review

HLB Sustainability Themes	Sustainability Topics
Digital at the core	<ul style="list-style-type: none"> <li>Customer Experience</li> <li>Ethics, Integrity and Compliance</li> </ul>
Fit for future workforce	<ul style="list-style-type: none"> <li>Ethics, Integrity and Compliance</li> </ul>
Environmentally and socially responsible	<ul style="list-style-type: none"> <li>Managing Our Environmental Footprint (Head Office)</li> <li>Responsible Lending</li> <li>Fair Banking</li> <li>Community Banking</li> </ul>
SME growth	<ul style="list-style-type: none"> <li>Community Banking</li> </ul>

## Risk Dashboard

The Bank has allocated resources in these areas and will regularly measure and monitor outcomes. Outcomes will be incorporated into the Risk Dashboard and presented to Management and the Board Risk Management Committee regularly.

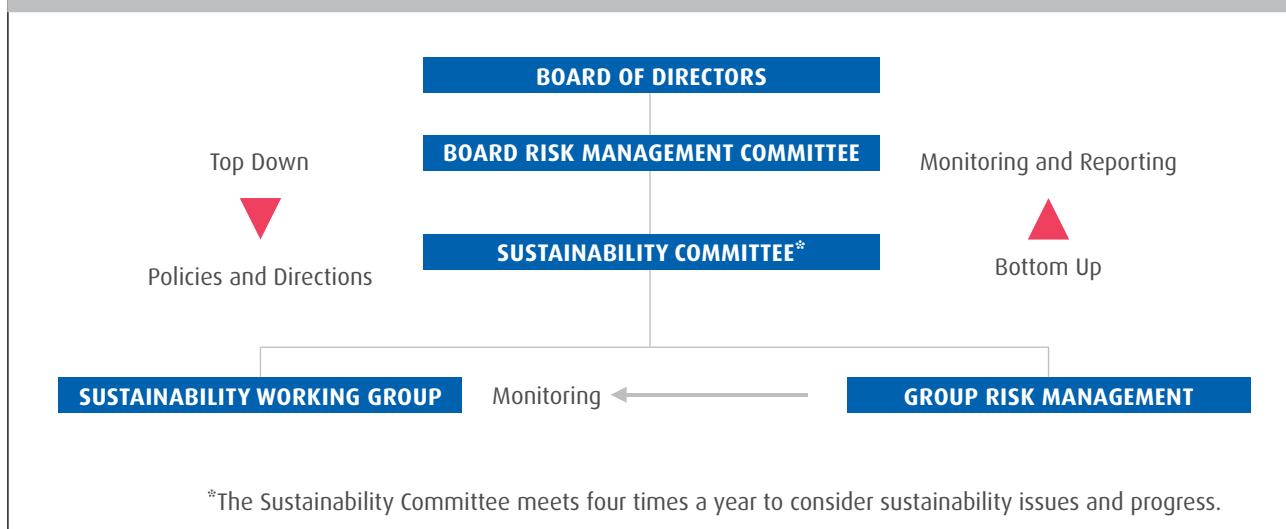
## Actionable Areas

HLB Sustainability Themes	Sustainability Topics
Digital at the core	<ul style="list-style-type: none"> <li>Digital Innovation</li> <li>Cyber Security and Data Privacy</li> </ul>
Fit for future workforce	<ul style="list-style-type: none"> <li>Employee Experience</li> </ul>
Environmentally and socially responsible	<ul style="list-style-type: none"> <li>Managing Our Environmental Footprint (Branch)</li> <li>Supplier Assessment</li> </ul>

## Affirmative Action Management ("AAM") Plan

The Bank acknowledges that these are the areas we need to improve. We have identified and included these in the FY2019 AAM Plan to close the gaps. All actions will be tracked and reported to the Board Risk Management Committee semi-annually.



## Hong Leong Bank Sustainability Governance Chart FY2019



OUR SUSTAINABILITY APPROACH

102-49, 103-1

ABOUT OUR MATERIAL TOPICS



Core Principles	Material Topic	GRI Topic	Topic Boundary	Description
 <p>Digital at the Core</p>	Digital Innovation	-	HLB and HLISB	We strive to innovate with digital products and services for greater customer accessibility and convenience.
	Customer Experience	-	Customers of HLB and HLISB	We focus on delivering products and services that are relevant to our customers' needs. We strive to create positive customer experiences in all of our banking operations. This includes meeting our customers' dynamic demands for innovative digital banking services.
	Cyber Security and Data Privacy	Customer Privacy	HLB and HLISB	We protect our organisation and customer data from unauthorised access or attacks aimed to exploit such information. This involves implementing measures to prevent, identify and address vulnerabilities and threats to personal and confidential customer data.
	Fair Banking	Marketing and Labelling	HLB, HLISB and Customers	We aim to provide products and services that meet our customers' expectations and take into consideration the interests of both parties in terms of fairness in all aspects.
 <p>Fit for Future Workforce</p>	Employee Experience	Employment, Labour/ Management Relations, Training and Education, Diversity, Equal Opportunity	Employees of HLB and HLISB	We foster a high-performance culture and aim to attract, develop and retain the next generation of leaders to ensure we are fit for the future. Our employees are empowered to deliver and take ownership of results. We provide relevant learning and development opportunities, competitive rewards and recognition programs and, a conducive work environment, that ensures our people are highly trained and well-equipped, to serve the community.
	Ethics, Integrity and Compliance	Socioeconomic Compliance, Anti Corruption	HLB and HLISB	We are committed to meeting all applicable regulations and core operational regulations (e.g. Companies Commission of Malaysia and Bank Negara Malaysia Regulations, Data Protection Acts, Anti-Money Laundering Acts). We expect our employees to adhere to our values, principles, standards and behavioural norms, as outlined in our Code of Conduct and Ethics. This is supported by a whistleblowing policy.



## OUR SUSTAINABILITY APPROACH

102-49, 103-1

## ABOUT OUR MATERIAL TOPICS

Core Principles	Material Topic	GRI Topic	Topic Boundary	Description
 Environmentally and Socially Responsible	<b>Responsible Lending/ Financing</b>	Product Portfolio	HLB, HLISB and Customers	We have policies, principles and codes of conduct to ensure the interests of HLB are aligned with the interests of existing and potential customers. These include audits to assess and screen for environmental and social risks, financial health assessments of existing and potential customers, and the provision of basic banking products to those who cannot afford to pay for fees so that they can participate in the financial system.
	<b>Managing Our Environmental Footprint</b>	Materials, Energy, Emissions	HLB and HLISB	We endeavour to reduce waste (such as paper and water) and use energy efficiently to reduce our greenhouse gas ("GHG") emissions and carbon footprint at all levels of our operations.
	<b>Supplier Assessment</b>	-	HLB, HLISB and Suppliers	We have an Independent Tender Review Committee assesses diligence reviews of suppliers' financial strength and performance as well as disaster recovery, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.
 SME Growth	<b>Community Banking</b>	Local Communities	HLB, HLISB and Hong Leong Foundation	We seek to engage and to help local communities develop their SME ecosystem via programs that have been designed to meet their specific needs.

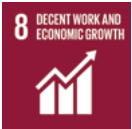

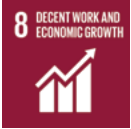













OUR SUSTAINABILITY APPROACH

HOW OUR MATERIAL TOPICS RELATE TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGS)

Of the 17 SDGs, we believe we are in a position to make a positive impact on the following eight, and have mapped our performance in the relevant SDGs to Malaysia and the financial services sector.

- Goal 4: Quality Education
- Goal 5: Gender Equality
- Goal 8: Decent Work and Economic Growth
- Goal 9: Industry, Innovation and Infrastructure
- Goal 10: Reduced Inequalities
- Goal 12: Responsible Consumption and Production
- Goal 13: Climate Action
- Goal 16: Peace, Justice and Strong Institutions

We recognise it is important to engage regularly with our stakeholders to understand their needs and expectations of us, creating an environment of openness and trust.

	SDGs relevant to Malaysia and the Financial Services sector <sup>1</sup>	SDGs relevant to our material topics
Economic	 	  
Environmental		
Social	    	   

Source: PwC SDG Selector Tool





## OUR SUSTAINABILITY APPROACH

102-42



### Stakeholder Inclusiveness:




The data analysed for FY2018 includes information from customers, employees, suppliers, and community development partners collected through various platforms monthly, quarterly, and annually. We analysed stakeholder feedback and information and identified 10 material topics of interest. Based on our materiality assessment, we then identified the key issues that were of most significance to HLB stakeholders to prioritise in 2018. Our materiality process takes a long-term approach to aligning the interests of internal and external stakeholders by analysing factors that contribute to value creation. In the next fiscal year, we will take a step further and consider various sectoral approaches and partnership strategies.



OUR SUSTAINABILITY APPROACH

102-40, 102-43

HOW WE ENGAGE WITH OUR STAKEHOLDERS





	Engagement Channel	Frequency of Engagement
 <b>Employees</b>	• Bank-wide Town Hall sessions	• Minimum twice yearly
	• Social media and career fairs	• Minimum twice yearly
	• Performance appraisal process	• Goal setting, mid year review and final year appraisal, supported by Individual Development Plan discussion
	• Learning and Development discussions	• Ongoing
	• Scholarship program	• Ongoing as per request
	• Graduate programs	• Based on business unit requirements
	• SmartUp bite size learning	• 24/7
	• HALI HR Portal	• 24/7
 <b>Suppliers</b>	• Supplier engagement rating process	• Minimum once yearly
	• e-Bidding (live auction)	• Monthly
	• Tender process	• Monthly
	• Proof of Concept engagements	• Based on project. Ongoing
	• Supplier on-boarding program	• Ongoing
	• Annual supplier due diligence review	• Annually
 <b>Customers</b>	• At our branches	• Daily
	• Self-Service Terminals	• 24/7
	• Internet and mobile banking	• 24/7
	• Customer surveys	• Daily
	• Telephone and email	• 24/7
	• Social media e.g. HLB Facebook, Twitter, LinkedIn, YouTube	• 24/7



## OUR SUSTAINABILITY APPROACH

102-40, 102-43

## HOW WE ENGAGE WITH OUR STAKEHOLDERS

Engagement Channel	Frequency of Engagement	
 <b>Investors</b>	<ul style="list-style-type: none"> <li>Annual General Meetings ("AGMs")</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> </ul>
	<ul style="list-style-type: none"> <li>Investor roadshows</li> </ul>	<ul style="list-style-type: none"> <li>At least 2 conferences a year</li> </ul>
	<ul style="list-style-type: none"> <li>Meetings with investors and analysts</li> </ul>	<ul style="list-style-type: none"> <li>At least 120 investors and analysts in a year</li> </ul>
 <b>Community</b>	<ul style="list-style-type: none"> <li>SME segment engagement programs</li> </ul>	<ul style="list-style-type: none"> <li>On going through various activities, relationship manager, regional and national managers</li> </ul>
	<ul style="list-style-type: none"> <li>Corporate Social Responsibility events</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> </ul>
	<ul style="list-style-type: none"> <li>Hong Leong Foundation's programs</li> </ul>	<ul style="list-style-type: none"> <li>Monthly</li> </ul>
 <b>Regulators</b>	<ul style="list-style-type: none"> <li>Bank Negara Malaysia ("BNM")</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>
	<ul style="list-style-type: none"> <li>Bursa Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>
	<ul style="list-style-type: none"> <li>Perbadanan Insurans Deposit Malaysia ("PIDM")</li> </ul>	<ul style="list-style-type: none"> <li>Yearly engagement</li> </ul>
	<ul style="list-style-type: none"> <li>Securities Commission ("SC")</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>
	<ul style="list-style-type: none"> <li>Federation of Investment Managers Malaysia ("FIMM")</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>
	<ul style="list-style-type: none"> <li>Personal Data Protection Act ("PDPA") Commissioner</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>
	<ul style="list-style-type: none"> <li>Ombudsman for Financial Services ("OFS")</li> </ul>	<ul style="list-style-type: none"> <li>As and when required</li> </ul>
 <b>Media</b>	<ul style="list-style-type: none"> <li>Press conferences</li> </ul>	<ul style="list-style-type: none"> <li>Financial results: 2 times a year</li> <li>Products/Services: As and when required</li> <li>CSR: Min 2 times a year</li> </ul>
	<ul style="list-style-type: none"> <li>Media get-togethers</li> </ul>	<ul style="list-style-type: none"> <li>Minimum 2 engagements a year</li> </ul>
	<ul style="list-style-type: none"> <li>Media announcements</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing basis</li> </ul>
	<ul style="list-style-type: none"> <li>Social media</li> </ul>	<ul style="list-style-type: none"> <li>Daily communication</li> </ul>

OUR SUSTAINABILITY APPROACH

102-44


Stakeholder Concerns	Actions
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**Employees**



- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>- Employee concerns to be addressed by management</li> <li>- Provision of upskilling opportunities</li> <li>- Implementation of a systematic reward and recognition program</li> <li>- Effective employee retention programs to be implemented</li> </ul> | <ul style="list-style-type: none"> <li>• Open communication channels relating to business updates and company direction such as newsletters and management townhall activated to achieve our vision and annual deliverables.</li> <li>• Driving awareness of HLB as preferred employer of choice at career fairs and events, and via social media.</li> <li>• Implementing a career development planning pathway that is aligned with the performance appraisal process.</li> <li>• Managers coached to handle performance and development discussions with the use of methodology such as SMART principles, the GROW model, coaching skills, the Agile Learning Framework, the talent retention conversations/tracker.</li> <li>• Roll-out of the SmartUp learning mobile application for bite-sized self learning for employees.</li> <li>• Conducting the first "My Thoughts, Our Future" employee survey to work towards creating an environment that promotes work-life integration.</li> <li>• Launch of the HALI chatbot to cascade policies and operational information to employees at all levels.</li> <li>• Launch of the eTouch appreciation platform for employees to recognize and acknowledge colleagues who have delivered beyond their scope of work.</li> <li>• Providing communication platforms to enable management to directly engage with employees through team building events.</li> <li>• Offering scholarships and career opportunities to top scholars, and HLB employees.</li> <li>• Building talent pipeline through management associate and graduate trainee programs.</li> </ul> |
|--|---|

**Suppliers**



- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>- Transparency of the procurement process</li> <li>- To fulfill HLB's "service level agreement"</li> </ul> | <ul style="list-style-type: none"> <li>• Conducting assessments to evaluate supplier capabilities.</li> <li>• Implementing an e-bidding process to facilitate transparent sourcing and selection of the most competitive suppliers through a 'live auction' online system.</li> <li>• Referring proposals to an independent Tender Review Committee of senior managers for assessment and approval.</li> <li>• Engaging in a rigorous and robust process to identify and select potential suppliers based on their experience, financial strength, years in business and industry reputation.</li> <li>• Conducting due diligence reviews covering past performance, disaster recovery and business continuity plans.</li> <li>• Providing a suppliers' whistleblowing channel - a copy of our whistleblowing policy, including contact details, is published on our HLB website.</li> <li>• Conducting limited scope 'pilot' tests to ensure the viability of proposals and implementation plans.</li> <li>• Obtaining signed declarations from Procurement employees to indicate that they have no connection with existing and future suppliers.</li> </ul> |
|---|--|



## OUR SUSTAINABILITY APPROACH

102-44

Stakeholder  
Concerns

## Actions

## Customers



- Personal data protection
- User-friendly systems and easily accessible product and banking services
- Uphold fair banking and principles

- Digital (online) initiatives that reduce queueing time.
- Term loans/financings with a multilevel matrix of interest/profit rates to suit: incomes from RM2k/month; tenures of 2-5 years; and loan/financing amounts from RM5k.
- Anti-persistent threat mitigation applied to cyber threats.
- Engagement of experts in the Security Operations Center to help protect data security.
- Enforcing Personal Data Protection and the Secrecy Policy by imposing severe penalties for employee non-compliance.
- Provide an average of banking products and services to satisfy the needs of all customer segments.

## Investors



- Enhancement of stakeholders' value
- The stability of the Bank
- The security of savings and deposits

- Compliance officers and representatives support a comprehensive assurance and review program.
- Continual review of our compliance and cyber security policy to protect against customer information leak/theft/loss.
- Maintaining an independent Group Compliance function.
- Group Internal Audit to conduct independent reviews and assurance.
- Generate revenue and profits sustainably having regard to the interest of various stakeholders.

## Community



- Accessibility of funds and programs for underserved communities and disaster stricken victims
- Provision of scholarships for underprivileged students

- Deploying of 150 community banking managers at branches nationwide to serve the SME segment, and increasing the Bank's coverage five-fold.
- Supporting the Shariah-compliant SME Financing Scheme ("SSFS") by SME Corporation Berhad.
- Supporting BNM schemes e.g. Fund for Small and Medium Industries 2 ("FSMI2") and New Entrepreneurs Fund 2 ("NEF2").
- Supporting CGC schemes e.g. BizJamin and the Green Technology Financing Scheme ("GTFS").
- Educational initiatives such as the scholarship program, after school program, and German Dual Vocational Training.
- Community initiatives such as food for the homeless, youth skills training, donations and other forms of aid.
- Initiating financial planning and education workshops targeting teenagers and school children.




OUR SUSTAINABILITY APPROACH

102-44

Stakeholder Concerns	Actions
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**Regulators**



- To be fully compliant with relevant law and regulations
- To meet the expectations and requirements of banking regulators.
- Compliance with Shariah requirements where appropriate

- The Bank operates a three-line defence model starting from Business Units, Group Risk and Group Compliance and Group Internal Audit.
- The Group Company Secretariat ensures the Bank meets Bursa Malaysia's Listing Requirements.
- Business compliance officers and representatives advise on compliance with regulatory requirements.
- The Group Compliance function is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended, as well as to assess and monitor compliance risks within the Bank.
- Fostering a strong compliance culture within the Bank and conducting targeted compliance training for employees, including to fulfil the continuing professional development requirements for the licences and accreditation which they hold.
- The Shariah Governance framework ensures our Islamic Banking business and operations are Shariah compliant.
- The Bank keeps abreast of changes in relevant legal and regulatory requirements through monitoring the publication of new requirements by regulators, responding to consultation papers on new requirements, and attending training and seminars conducted by regulators.

**Media**



- Proactive media engagements
- Adequate communication platforms

- Open door approach with media community.
- Developing media relations to enhance understanding of Hong Leong Bank's principles.
- Conducting press conference, briefings and gatherings with media to keep the communication channel open.
- Create social media presence, monitor social media engagement and measure the results of social media activities.



# DIGITAL AT THE CORE

## "Essential key to transform traditional banking"

Digitisation is a way of using technology to optimise processes and reduce manual intervention. It can lead to higher levels of customer satisfaction and improved workplace productivity. Digitisation is the essential key to transform our traditional banking approach into a progressive, dynamic and sustainable customer-oriented business.

Recognising the rapid pace of digital innovation, the evolution of customer behavior and needs, and the rise of FinTechs, in 2016, we refreshed our vision to be a "Highly digital and innovative ASEAN financial services company" with the theme "We are digital at the core. It is that simple". Today, we continue to improve our digital products and services and we are pleased to showcase our advanced operating systems and processes. Our digitalisation initiatives have included a 24/7 online banking system, which significantly reduced our environmental footprint and enhanced customer experience.

With the incoming generation of digital-savvy millennials there is a growing expectation of online, 24/7. Cognitive banking in particular has been an area of heavy interest, built upon the digitisation trend in banking over the last decade. Ultimately, it is customer and staff feedback that drives change and innovation. Being digital at the core is not only about being mobile or having the latest technology but about finding new ideas and innovative ways to interact and engage with customers.



Digital Transformation



Digital Branch



Digitisation Enhancement



Digital Connect Retail



Digital ConnectFirst for Business



Digitisation of Customer Experiences



Towards a Cashless Society



Digitisation of Bank Operations



Digitising Employees Experiences



Digitisation in Shariah Knowledge Sharing



Digitisation in Human Resource Operation



Digitisation in Cyber Security and Data Privacy

**Material Topics:** Digital Innovation, Customer Experience, Ethics, Integrity and Compliance, Cyber Security and Data Privacy



DIGITAL AT THE CORE  
103-2, 103-3



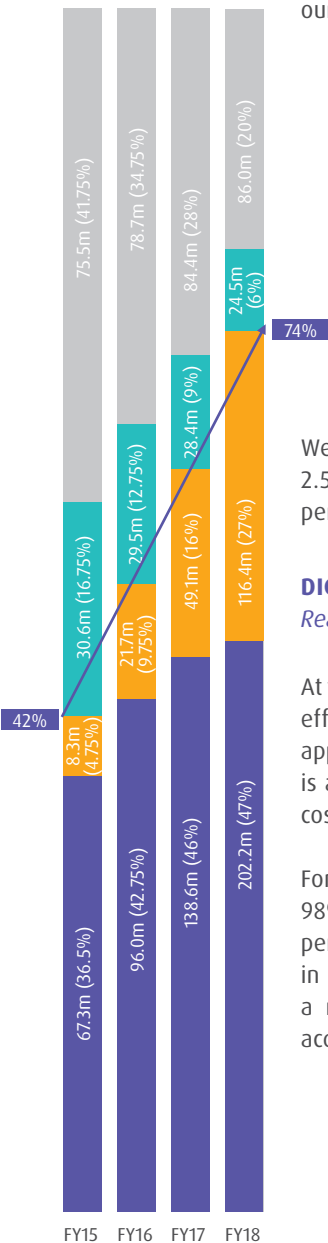
DIGITAL TRANSFORMATION

**SHIFT:**  
Traditional → Digital

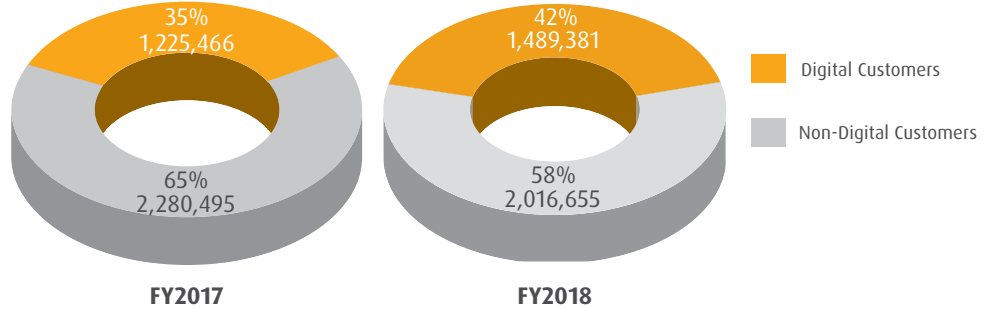
- Internet
- Branch
- Mobile
- SST

HLB's digital transformation has built internal capabilities that improve customer experiences, accessibility and overall group efficiencies.

We introduced several first-in-Malaysia and in the region, including the use of artificial intelligence, robotics, real-time speech analytics, visual analytics, real-time customer feedback and in-branch tablet solutions to boost customer experience (CX) when they avail of our products and services and our ongoing servicing of their needs once they become customers.



CONNECT RETAIL



We are pleased with the progress we have made since we began our digital transformation journey 2.5 years ago. Currently 72% of the Bank's transactions (both financial and non-financial) are performed via digital channels (mobile and internet) compared to 42% in FY2015.

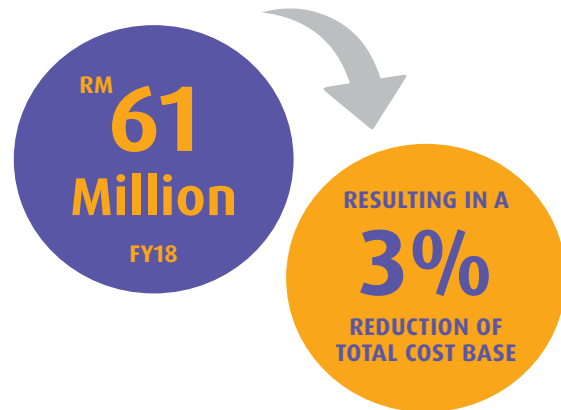
DIGITAL TRANSFORMATION

Realising financial benefits from digitisation efforts and reshaping the way we do business

At the close of FY2018, our digitisation efforts had realised cost savings of approximately RM61 million, which is a 3% reduction of the Bank's total cost base.

For example, in FY2018, we saw a 98% reduction in Fixed Deposit costs per acquisition, a 27% reduction in Personal Loan/financing costs, a reduction of 3% in the cost per acquisition of Credit Cards.

COST SAVING



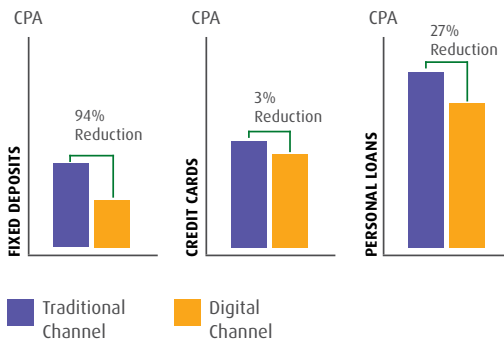


## DIGITAL AT THE CORE

103-2,103-3

**REDUCE COST PER ACQUISITION (CPA)***Digital Contribution as a Low-Cost Channel for Product Acquisition*

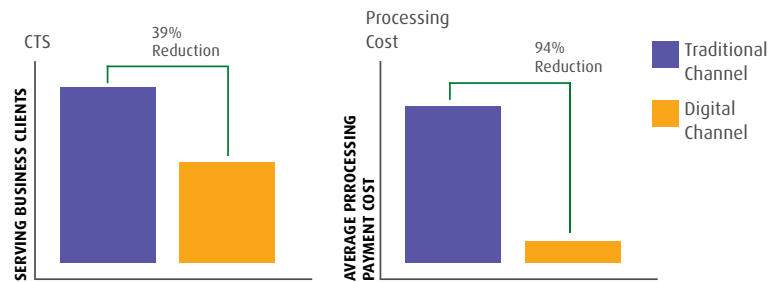
Digitisation also reduced our cost of servicing customers. We recorded a 27.6% drop in cost on Call-quality Check, a 7.5% reduction in Service Requests and a 6.5% saving for in bound calls.



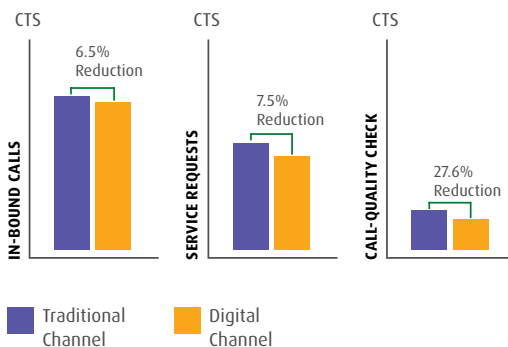
The results of our digitisation efforts in FY2018 demonstrates that embracing digital transformation strengthens internal capability, enhances customer experience and improves the accessibility and efficiency of the Bank.

We plan to automate 23 card operations processes through the use of robotics process automation ("RPA") by FY2019 and to standardise and digitise incoming instructions from various channels.

We are also on target to introduce RPA to three cheque processing centres by FY2019. Artificial Intelligence ("AI") is being implemented for automated verification of cheques and for repetitive tasks. This will increase productivity and efficiency at the operation backend.

**REDUCE COST TO SERVE (CTS) PER CASE***Digital Contribution as a Low-Cost Channel for Continuous Operations (Call Centre Example)*

The average processing payment cost dropped by 94% with Digital Banking as our core operation platform. The cost of servicing business clients reduced by 40% in FY2018.



DIGITAL AT THE CORE  
103-2,103-3

DIGITAL BRANCH



The Digital Branch is part of HLB's business sustainability initiative. The Bank's first Digital branch was opened on 3 November 2017 in Damansara City, Kuala Lumpur, to bring customers a new experience through innovative service delivery.

This new branch covers both conventional and Islamic banking. It sits within the vicinity of vibrant residential and commercial centres such as Bangsar, Mont Kiara, Damansara, and Kuala Lumpur City Centre. This Digital Branch is a contributing member the local community, and plays an active role in its economic development.

The Digital Branch is equipped with a suite of digital banking capabilities to improve efficiency and enhance customer experience. The branch features wireless terminals and applications, allowing customers to skip the queues and quickly perform personalised Conventional and Islamic banking transactions.

Customers were impressed by staff, who are equipped with tablets. This provides an alternative way of performing basic banking transactions and supports the Bank's aim to reduce paper consumption, minimising our carbon footprint.

At selected branches, Teller Assisted Units, which are able to accept, recycle, and dispense notes, are placed in open areas instead of traditional spaces behind banking counters. This allows for more transparent and secure management of cash deposits and withdrawals.

Building on our innovation agenda is the use of AI for the chat service on our corporate website, powered by IBM Watson's cognitive computing technology.







## DIGITAL AT THE CORE

103-2,103-3

To support our diverse customers and reinforce growth in the local ecosystem, we introduced our first Discovery Zone in Damansara City. The Discovery Zone allows visitors access to touchscreen stations, which are loaded with digital processes. The Discovery Zone also serves as an interactive platform to customise customers' financial planning needs.

To support the growth of the local business ecosystem, our Priority Banking Center was the first to offer the use of a dozen meeting rooms for its entrepreneur and business associates. These meeting rooms are available within the Priority Banking Centre on Level 3 of Hong Leong Tower, and the Centre is open during the bank's regular business hours. The Priority Banking Center offers complimentary valet parking, dedicated safe deposit boxes, food and beverages, as well as basic office supplies.



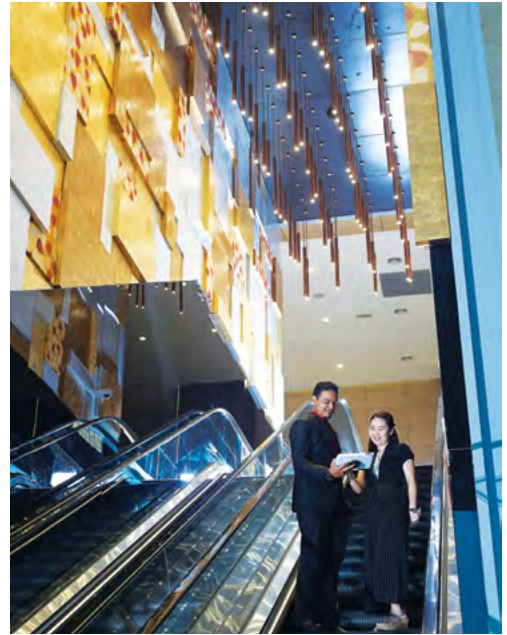
A Dozen  
Meeting Rooms



Complimentary  
Valet Parking



Dedicated Safe  
Deposit Boxes




DIGITAL AT THE CORE  
103-2,103-3

**DIGITISATION ENHANCEMENT**

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**HLB was the first bank in Malaysia to collaborate with FinTechs and start-ups via a structured mentorship program called HLB LaunchPad, which supports the development of a new generation of start-up companies from various industries.**

 For more information, <https://www.hlb.com.my/hblaunchpad/>



In FY2018, HLB launched the Loan2Go offsite mobile auto loan application platform, which offers 24/7 access to help customers manage their auto loan accounts. We also introduced our Customer Experience Lab, which was dedicated to facilitating experiments and prototyping innovation and new technologies.

Through optimising the use of digital technologies, we re-invented our branch strategy and redefined our

operations system, thus making HLB a differentiated bank that offers an all new customer experience.

HLISB also implemented digitisation initiatives. We have empowered the AI chat service available at our corporate website to answer queries specifically about Islamic banking and finance. Besides, we are collaborating with a public university to develop another chatbot as knowledgeable sharing platform on Islamic banking and finance for the public.

**DIGITAL CONNECT RETAIL**

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To measure the effectiveness of our Digitisation efforts, we measure our Digital Connect Retail Customers database. FY2018 was an outstanding year in which we made a 22% increase in our digital customer base, from 1.225 million users in FY2017 to 1.489 million users. 42% of our total customers used digital products and services.

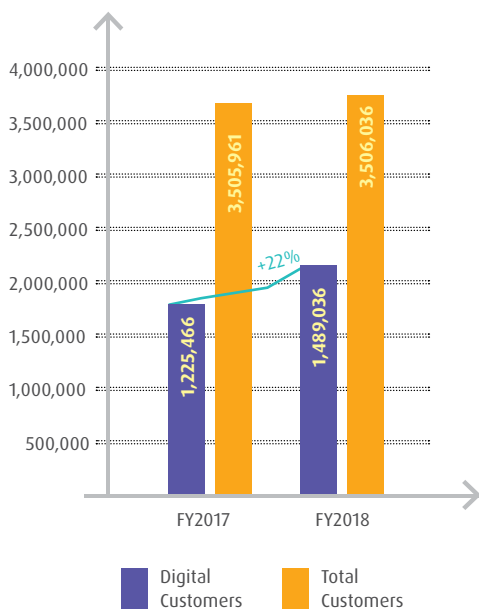




## DIGITAL AT THE CORE

103-2,103-3

## YOY COMPARISON OF CUSTOMERS USING DIGITAL PRODUCTS AND SERVICES



	FY2017	FY2018	Growth%
<b>eFD balance RM billion</b>	1,703,680	2,784,107	63%
<b>eFD placement in number</b>	137,343	260,859	89%
<b>Scan &amp; Pay monthly transactions</b>	1,919	2,958	54%
<b>Pay Mobile App Transactions</b>	65,001	143,200	120%
<b>Online Current &amp; Savings Account opening</b>	110	450	309%
<b>Connect App Satisfaction score</b>	78%	85%	9%

On the placement of online fixed deposit via Financial Process Exchange, we achieved a 42% penetration in FY2018 with 1,489,036 Connect online users, compared with 35% penetrations at 1,225,466 users in FY2017. In the meantime, eFD placements increased to 260,859 in FY2018, compared with 137,343 placements in FY2017. Our Scan & Pay with e-Commerce registered 2,958 monthly transactions in FY2018 versus 1,919 transactions in FY2017. Pay Mobile achieved 11,933 average monthly transactions and a total of 143,200 transactions in FY2018, compared with 5,417 average monthly transactions and a total of 65,001 transactions in FY2017.

According to our Customer Survey Analysis, after our Connect App relaunch in July 2017, our customers' satisfaction score rating was 85% for FY2018 compared with 78% in FY2017.

We registered a robust 309% increase in Online Current and Savings Account opening in FY2018. A total of 450 new accounts were opened in FY2018, compared to 110 accounts opened in FY2017.

The Bank's target was to reach customer penetration of 55% through Connect Internet Banking by FY2019 and 34% customer penetration through the Connect App by FY2019. We are also implementing a new application module with eKYC enabled on Connect App which allows product application for new customers.

In relation to digital products, the Bank target is to expand our offerings from 9 to 17 in FY2019. We also aim to bring digital banking transactions to 79% by FY2019. To achieve these targets, we are tracking and monitoring migration of call centre traffic, especially those services that are available on Connect, such as balance enquiry and credit card-related services. We are also improving our Connect registration process to help us convert conventional customer transactions to digital transactions.

In our Business and Corporate Banking segment, we aimed for 57% of our customers to be targeted digital banking users in FY2018, versus 49% in FY2017. The Bank also aimed 34% of corporate customer transactions to be performed online by FY2018, compared with 30% in FY2017. We achieved these targets by offering the following products and services: Digital remittance service; JomPay; HL Connect First Mobility; collaboration with local FinTechs for SME e-business solutions and SWIFT gpi capabilities for more transparent cross border funds transfers.



For more information, <https://www.hlb.com.my/en/personal-banking/hong-leong-connect/mobile-banking.html>

### WE ACHIEVED THE TARGETS OF:

CUSTOMERS → DIGITAL BANKING USERS

57%  
FY2018

49%  
FY2017

CORPORATE CUSTOMER TRANSACTIONS → PERFORMED DIGITALLY

34%  
FY2018

30%  
FY2017




DIGITAL AT THE CORE  
103-2,103-3

DIGITAL CONNECTFIRST FOR BUSINESS



Another of our business sustainability digital initiatives was HL ConnectFirst, which was launched on 22 November 2017. This innovation offers single sign-on access to a comprehensive suite of advanced cash, trade and foreign exchange solutions for corporate, commercial and SME customers of HLB and HLISB.

 For more information, <https://www.hlb.com.my/en/business-banking/connect-biz/hl-connectfirst.html>



## DIGITAL AT THE CORE

103-2,103-3



Transactions performed at  
Lembaga Zakat Selangor

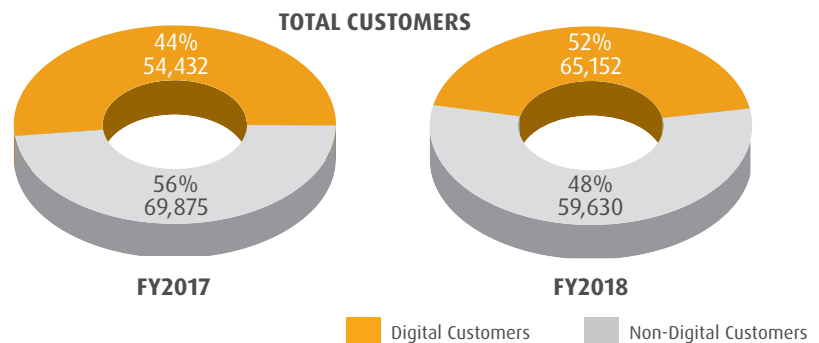
**289**  
transactions valued at  
**RM185,677**



Majlis Daerah Hulu Selangor  
Number of transactions  
performed

**198**  
transactions valued at  
**RM160,152**

HL ConnectFirst is infused with innovative features designed to assist business clients in managing their working capital requirements. It provides high levels of customisation on a comprehensive platform. HL ConnectFirst is designed to meet the differing needs of business clients while providing a seamless customer experience. Business clients have access to a full suite of transaction banking services, including account management, payables, receivables, liquidity management, trade, treasury management, e-investment and e-procurement. The above value-add features make HL ConnectFirst one of our most popular products.



HL ConnectFirst provides around-the-clock service for customers who require after hours banking services. Transactions increased 357% in FY2018 with an increase of 69% in value.

A Cashless ATM was introduced at Lembaga Zakat Selangor (LZS). As there is no cash stored in the machine, customers use their debit cards to perform banking transactions. In FY2018, 289 transactions valued at RM185,677 were performed at LZS. Cashless ATMs were also placed at Majlis Daerah Hulu Selangor. In FY2018, 198 transactions valued at RM160,152 were performed.

We will roll out more HL ConnectFirst Innovations in the upcoming year. The first will be HL ConnectFirst Lite. Our target is to sign-up 6,000 SME customers in the first year with 20% subsequent annual growth. We will also launch the RPP National Addressing Database, and we aim to have 20% of customer base nominating their HL accounts as the receiving accounts for payment to their respective companies. Our HL ConnectFirst e-token was launched in mid-2018. We also targeted 10% of our customers to sign up for HL ConnectFirst in 2018 with a 20% increase annually. There are eight other initiatives and innovations to be launched in stages in 2019 to further enhance our sustainable digitisation initiatives.



DIGITAL AT THE CORE  
103-2,103-3

DIGITISATION OF CUSTOMER EXPERIENCES

In the digital era where tech-savvy millennials will soon make up the majority of our customer base, we witnessed a shift in customer behaviour from conventional banking to online banking around-the-clock and online banking demands are growing among our customers.

Customer feedback is crucial to help us improve our digitisation efforts. We collect customer opinions through HLB touchpoints such as the contact centre, branches, self-service terminals and digital banking with the subscription to an Enterprise Feedback Management ("EFM") platform. This platform collects and reports customer feedback in real-time.

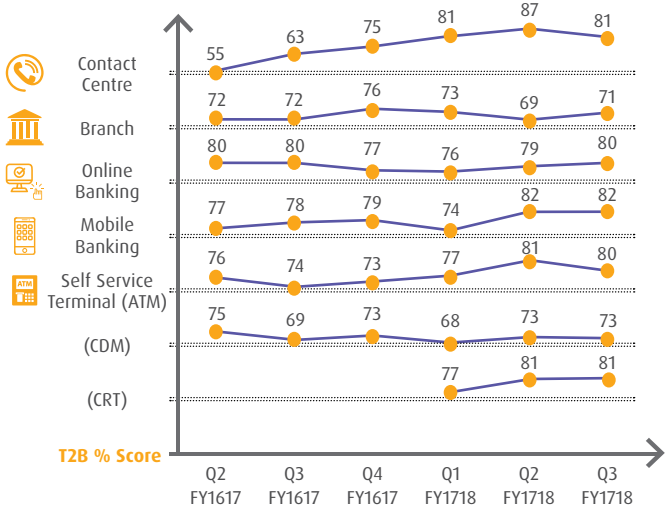
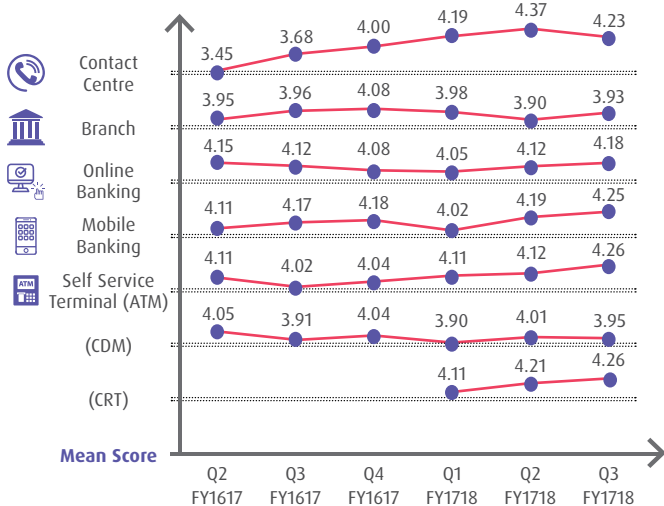
Integrating EFM into current HLB systems allowed us to close the loop, specifically for the manned channels, such as the Contact Centre and Branches, where direct feedback is forwarded to the actual agent or teller that served the customer. In the case of the Contact Centre, the Head of Contact Centre, the Team and Service Managers would also be informed, while for the branches,

the Branch Manager and Customer Service Operations Manager are looped in. This allows for quick remedial action by supervisors if required.

Customer feedback collected from surveys is shared with the individual channel owners on a monthly basis to ensure appropriate action is taken. Positive and negative feedback is shared: the former to acknowledge frontliners for a job well done, the latter to guide improvement efforts.

These initiatives have helped HLB increase our customer satisfaction score, with the majority of our channels meeting our internal target of 80% Top 2 Box ("T2B") and 4.0 mean score.

In mid-2017, HLB surveyed customers who applied for specific products such as loans, credit cards and accounts to gauge their satisfaction on the application or account opening process. We survey customers who had been using these products to find out where we needed to improve our product offerings.



Visual dashboards were developed to share the customer satisfaction results with internal stakeholders. These dashboards were developed on mobile apps (mobile and tablet) and desktop, using big data infrastructures like Teradata, and visual analytics tools like Tableau. The coalition of these platforms encouraged people across the organisation to adopt a digital approach, and not rely on paper-based reports.



## DIGITAL AT THE CORE

103-2,103-3

### TOWARDS A CASHLESS SOCIETY



In line with our Digitisation exercise, the Bank has been actively promoting cashless transactions via increasing credit/debit card usage, mobile payment methods and online banking. HLB has been focusing on expanding its merchant network by seeking out business owners and assisting them to set up debit and credit card payment services. HLB offers attractive incentives to corporate customers, such as next working day approval, credit card transaction rates from as low as 1.45%, debit card and e-Debit rates from as low as 0.50%, waived rental fee for one desktop terminal per outlet, a complimentary set up service for dial-up and GPRS terminals, and special Merchant Discount Rates.



For more information, <https://www.hlb.com.my/en/business-banking/group-sme-banking/deposit/merchant-services.html>

To enhance the cashless environment, HLB launched the Mobile Wallet Project Green Lantern (WechatPay). The Bank obtained Bank Negara Malaysia's approval to enter into an agreement with Tenpay Payment Technology Co Limited, a subsidiary of Tencent, to provide WeChat Pay payment solutions. This collaboration will allow Chinese tourists to continue using their WeChat accounts when visiting Malaysia. This offering marks the start of business collaborations with the Chinese technology giant and more digital payment solutions in the near future will be launched. Users benefit from this quick, mobile app based, QR code payment tool to make purchases in Malaysia in RMB and other currencies. This facility was rolled out in January/February 2018 and since then WeChat pay has been widely used in Malaysia.

Simultaneously, the Bank promoted Hong Leong Connect Pay Mobile payment (previously known as PEX) which was introduced in 2014. It is a mobile-to-mobile payment service which enables you to pay from your Hong Leong Current or Savings Account to any Malaysia-registered mobile phone number(s). Aside from Pay Mobile, the Bank also offers "payWave" payment and pin-enabled card payment options for retail purchases.

Another digitisation initiative from the Bank is to promote paperless banking and online banking. In this regard, HLB has been actively transitioning customers from passbooks to online banking.

HLB continues its journey of going green and reducing printing and we aim to reduce cheque usage year on year. To achieve this goal, the Bank has been using online transfers for payments, recurring payments for staff salary payments, settlements between branches, tax payments LHDN, payments of fees to regulators, payment of utility bills, and more.






DIGITAL AT THE CORE  
103-2,103-3



Effective 14 August 2017, HLB discontinued cheque book replenishment for Pay&Save Accounts and removed the cheque book facility as one of the features of the Pay&Save Account.

 For more information, <https://www.hlb.com.my/en/personal-banking/news-updates/discontinuation-of-check-books-for-pay-save-account.html>

For our corporate customers, HLB introduced SME-focused business solutions to encourage customers to move online. One of the campaigns featured HL ConnectFirst, a comprehensive cash management system which serves as a one-solution platform for business customers. To encourage business owners to start utilising HL ConnectFirst, HLB offered waivers and monthly prizes.

 For more information, <https://www.hlb.com.my/en/personal-banking/promotions/sign-up-connect-first.html>  
<https://www.hlb.com.my/en/business-banking/connect-biz/hl-connectfirst.html>

Being a responsible and customer-centered Bank, HLB helped customers transition from conventional banking to online banking. We advised customers of the transition to e-statements and the removal of cheque book facilities and highlighted the comparison between the cost of paying online versus paying by cheque.





## DIGITAL AT THE CORE

103-2,103-3

## DIGITISATION OF BANK OPERATIONS



In June 2017, we launched our first HLB 'Customer First' Awards – designed to distinguish and reward HLB's employees who had gone above and beyond to serve our customers and demonstrate HLB's service culture values.



We received 282 nominations for the awards and selected 35 winners. The top 40 inspiring stories about how our winners had put customers first were shared within the Bank each week. The 'Customer First' awards were so well received that they will be run annually through our internal recognition program.

The Bank is building current and future capabilities by identifying areas of importance for the digital future, two of the key areas being in house code development and support capabilities, and cost efficient cloud ready technology stacks for the code to operate on. The Bank has initiated



actions for these key technology growth areas with a vision to be self-sufficient for the Banks retail internet and mobile offerings across all geographies by December 2021. A Centre of Excellence has been established to drive these initiatives leading to a cost and delivery sustainability for the increasing digital ecosystem growth maturely by December 2021.

Among the key growth areas identified above, the Bank is also looking forward to Data Analytics, Cyber Security, Robotics and process efficiencies using Lean 6 Sigma and human centered design principles. An additional Centre of Excellence will be established focusing on Robotics Process Automation ("RPA"), AI and Blockchain technologies



DIGITAL AT THE CORE  
103-2,103-3

**HEART WARMING "CUSTOMER FIRST" CASE STORY**

In FY2018, our mortgage team in Penang Center came upon an appeal from a 64-year old mother, Mdm Tan, whose daughter committed suicide and left four children in her care. Mdm Tan, a coffee shop general worker, was caring for her intellectually disabled adult son and her daughter's four children. Her RM300 monthly income could not support all five dependents. Her daughter's outstanding mortgage was defaulted and at risk of foreclosure. Mdm Tan appealed to HLB for help.

Upon hearing the tragic life experience of Mdm Tan and her family, our mortgage team appealed to management to withhold the foreclosure auction on the property, while they submitted the customer's Takaful claim to MSIG Takaful. Unfortunately, the claim was rejected due to MSIG's suicide exclusion clause. Nevertheless, our mortgage team continued to look for ways to help. They wrote an appeal letter to MSIG to plead for exemption from the suicide clause.

MSIG brought the appeal to their Shariah committee and finally approved the claim under special circumstance. In the meantime, our mortgage team appealed to the Bank to waive the remaining mortgage debt. HLISB approved the appeal and the financing account was considered fully paid.

Our mortgage team was delighted to see that their hard work and persistence had paid off to help lift the enormous financial burden off Mdm Tan and she was able to maintain possession of the property.

This wonderful team of Hong Leong employees went an extra step in getting their fellow colleagues in the Penang Center to donate RM1,000 to Mdm Tan.

Our "Customer First" program inspired our mortgage team to always put our customer at the centre of our service. They went the extra mile to ensure the customer's case was heard. Their compassion and kindness towards Mdm Tan and her family demonstrated the success of our "Customer First" program.



*Our "Customer First" program inspired our mortgage team to always put our customer at the centre of our service.*



## DIGITAL AT THE CORE

103-2,103-3

### DIGITISING EMPLOYEES EXPERIENCES



As part of our "Digital at the Core" journey, HLB launched 'SmartUp', a mobile e-Learning application that enables our 8,000-strong workforce access to bite-sized learning content on the go.

HLB is pioneering the use of mobile micro-learning in the banking industry and the SmartUp APP provides quick access to resources including short articles and videos that are viewed on mobile devices.

SmartUp content was crafted by subject matter experts within the Bank. Learning modules are presented in easily digested formats, predominantly conveyed through eye-catching infographics. SmartUp is HLB's most recent digital initiative designed to enhance employee experience.

### DIGITISATION IN SHARIAH KNOWLEDGE SHARING

The SmartUp program was also made available to HLIBS employees. Six Shariah topics were uploaded to SmartUp in FY2018. Topics uploaded were Gharar, Maysir, Riba, Tawarruq, Mudarabah and Ijarah.

SmartUp easily enables knowledge sharing and learning via mobile and web, around-the-clock, at the office and on the go.

### DIGITISATION IN HUMAN RESOURCE OPERATION

HLB introduced a virtual assistant named HALI to help the Human Resource team improve operational efficiency by 60% over the course of FY2018.

HALI, a first for Malaysia, is powered by Hyperlab, which specialises in artificial intelligence (A.I.) powered chat, voice and search products. The chatbot developed for HLB performs two core support functions – Human Resource (HR) and Branch Operations (BOS). HALI responds to staff queries about policies and procedures, a function previously undertaken by staff members from the two divisions.

Within a month of HALI's launch, 2,249 of HLB's employees had HR-related initiated a chat with HALI on HR-related enquiries. A total of 34,152 HR-related questions and 3,234 BOS related questions were answered.

HALI learns and then automates the thousands of queries asked every month via personal digital devices like smartphones and tablets. The time saved responding to repetitive and manual operations like answering emails or responding to internal phone enquiries, is now invested in building training programs based on the data that HALI collects.



DIGITAL AT THE CORE  
103-2,103-3, 418-1

DIGITISATION IN CYBER SECURITY AND DATA PRIVACY

**We take pride in the quality and security of our digital banking services. We maintain our reputation by implementing cutting-edge cyber security and anti-fraud solutions.**

Digital banking is one of our strategic pillars and we ensure that we offer the best digital solutions and e-payment capabilities to our customers.

Consequently, a key focus is Cyber Security and Customer Data Privacy. We deploy specialist knowledge and key technologies to protect against fraud, and to promptly detect and respond to cyber attacks. While our team of developers, IT and fraud management specialists are highly involved in ensuring the security of the Bank and its customers, security is a joint responsibility between both parties. Educating customers about the risks and consequences of fraud means that the effectiveness of security measures taken by the Bank is bolstered by customers' vigilance.

Phishing and phone scam complaints dropped from 30 cases in FY2017 to 7 cases in FY2018 after various cyber security initiatives were implemented. There were no identified leaks, thefts or losses of customer data in FY2018.

Infrastructure will be modernised in FY2019 to improve and upgrade our capabilities and we will embed machine learning and intelligence for better detection and accurate mitigation. Our workforce will be trained to handle current and future challenges and we will boost employee awareness

of local and international events. Awareness is a key theme in security and to facilitate communication and education we conduct brown bag sessions, townhalls, and online and e-based awareness programs about Cyber Security and Private Data Protection.

In the coming year, we will adopt ISO 27001, which is an international standard in information security. This is aimed at giving our customers and regulators the knowledge that we are applying world's best practice to tackling cyber risks.

*We will adopt ISO 27001, which is an international standard in information security.*

Global Cyber Threat Intelligence feeds will be implemented by FY2019, which will improve our awareness of global cyber threats and our ability to counter them. To further strengthen our security, we will enhance our Malware and Endpoint Protection, implement the APT mitigation platforms and exercise 24/7 SOC monitoring.

Digitisation is an ongoing process. We operate in a dynamic regulatory environment and our framework enables us to respond quickly to changes in BNM Regulations. Constant and consistent execution of IT solutions with close monitoring of outcomes is essential.

# FIT FOR FUTURE WORKFORCE

## "Investing in their knowledge base and professional development is critical for their and our success"

The success of HLB's Human Resource strategy depends on our ability to retain, motivate, develop, and continue to attract employees with the skills and experience to help the Bank master challenges and make the most of opportunities. This Human Resources Report, "Fit for Future Workforce" provides an account of the Bank's employee metrics and how we are translating our strategic priorities into action.

One of the Bank's most valuable assets is our employees and investing in their knowledge base and professional development is critical for their success, and the success of the Bank.

We plan to create a world-class workforce by ensuring that our employees are equipped to perform at high levels and we provide skills building and professional development opportunities that greatly enhance employee job satisfaction and engagement.



Nurturing a Culture of Innovation and Excellence



Talent Acquisition



Investing in Talent



Developing Our Talent



Digital Training



Retaining Talent and Strengthening Employee Communications



Diverse and Inclusive Workforce



Employee Engagement



Remuneration Policy Disclosure



Employee Benefits



Safety and Well-being



Ethics, Integrity and Compliance

**Material Topics:** Employee Experience, Ethics, Integrity and Compliance



FIT FOR FUTURE WORKFORCE  
103-1, 103-2, 103-3



**NURTURING A CULTURE OF INNOVATION AND EXCELLENCE**

Our Human Resource team has accelerated digitisation and proposed new ways of working to not only attract and retain the best talent, but also nurture an organisation wide culture of innovation and excellence.

For example, by moving towards a 70:20:10 learning framework and an emphasis on lifelong learning, HLB is ensuring that no employee is left behind as part of our digital transformation, with 70% of learning being on-the-job training, 20% of classroom training and the remaining 10% being bite-sized learning on HLB's Smart-up learning app. Additionally, the Bank is also very supportive by providing accreditation and world class training development interventions.

For project and other specific roles, employees are enrolled into Level 2 training or advanced classroom training.

The desired behaviour change is to encourage employees to move from a process driven approach to a more customer centric one in order to drive the desired business outcomes of agility, productivity and innovation. Additionally, the creation of cross-divisional teams to solve customer issues mean that employees are now being given the opportunity to demonstrate and apply the design thinking ideology to real-world business challenges.

In the area of attracting talent, we are creating a diverse pool of employees in the workplace by hiring from various industries. This diversity enables different perspectives and increases creativity and number of ideas that will facilitate business outcomes. We believe that it is our responsibility to help our employees become successful. To date, HLB has developed and implemented a talent process guide to identify talent across bank, ensuring that we invest in our best talent and for the long term put in place succession planning for key roles bankwide. We hope to support deserving employees' career aspirations through a career pathing process, maintain a culture of meritocracy from one generation to another, and to be able to plan for business succession coverage for all relevant departments as part of HLB's employee experience.





## FIT FOR FUTURE WORKFORCE

103-2, 103-3

### TALENT ACQUISITION

The Bank runs a comprehensive talent development program to nurture and groom the future leaders of the organisation and train graduates for specific roles within the Bank. Some of our successful training investments in FY2018 are detailed below.

#### HLB MANAGEMENT ASSOCIATE PROGRAM

This Program is customised to cultivate the "Best of the Best" in banking. The 21-month program provides young graduates the opportunity to rotate across the Bank's different departments. The program encompasses 1.5 months of classroom and simulation training, a 5-week customer touchpoint in various departments, three 6-month projects within the sponsored department, and mentoring from senior leaders of HLB and HLISB.

HLB was awarded the Bronze medal for the Best Graduate Recruitment Program Category at the Human Resources Asia Recruitment Awards in April 2018. We are proud of this achievement because the Asia Recruitment Awards are respected as the benchmark within the recruitment industry in the region.

#### GRADUATE TRAINEE PROGRAM

The 18-month Graduate Trainee Program was launched to facilitate trainees undertaking structured learning and job rotation within the front, middle, back office operations. The main objective of this program is to equip the trainees with knowledge, skills and hands-on experience in both conventional and Islamic banking divisions these are run by either a business unit and/or support function.

#### SHARIAH GRADUATE TRAINEE PROGRAM

The 18-month Shariah Graduate Trainee Program was launched in September 2017 to equip graduate trainees with a comprehensive Islamic banking experience through structured learning and job rotation within the front, middle, and back office operations of HLISB. The main objective of this program is to prepare the trainees with knowledge, skills and hands-on experience specifically in Shariah and Islamic banking areas. We currently have two batches of trainees enrolled in this program.

#### GROUP SME (GSME) GRADUATE TRAINEE PROGRAM

The GSME Graduate Trainee Program was launched in January 2018. The objective of this program is to build a pool of sales force talent to join the growing, sales team nationwide, and to develop potential Community Business Managers. With their enrolment in this 18-month programme, the trainees will be given experience in both SME Banking and Community Business Banking.

### INVESTING IN TALENT

In 2016, we commenced senior manager promotions and in 2017 we expanded the conversation to employees of managerial level and above. We committed a significant amount of investment to help our employees, including those at Executive level, become successful and celebrated their success.

At the end of 2017, we launched the Talent Council, which works with division leaders to consider performance and potential and identify our future leaders.

Four employees were selected to attend the Emerging Banking Leaders Program at Cambridge University in April 2018. The objective of this significant investment is to shape a Strategy for Change and Innovation in the Future of Banks.



FIT FOR FUTURE WORKFORCE  
103-2, 103-3

The Emerging Banking Leaders Program prepares high-potential bankers for leadership positions by providing them with the skills and knowledge needed to face the challenges of working in this increasingly complex and dynamic environment. It is a program that we trust will help shape the future of banking through our leaders of tomorrow.

During this week-long program, participants gain invaluable insights on topics including global banking trends and disruptions, strategic thinking, digital innovation and transformation, developing an innovative culture, building high performance teams and change management.

*Our talent investment encompasses around these three pillars, knowledge, self drive, and genuine appreciation.* 

**DEVELOPING OUR TALENT**

Having a stringent and water-tight corporate governance is the fundamental element of ensuring a safe and sound bank that is fully compliant with relevant laws and regulations and free of graft. Therefore, having a solid training program for governance and employee learning and development are crucial for HLB. The programs are structured based on feedback from Board Risk Management Committee ("BRMC"), My Thought, Our Future ("MTOF") survey, exit interviews and also regulators discussions.

With this in mind, the new direction taken in 2018 was to channel training investment on compliance, soft skills/people management and leadership skills. Training on new skill sets such as Human Centre Design, user experience, user interface etc. Another important aspects is to have an improved onboarding program.

**ON-BOARDING PROGRAM**

We launched a bank-wide on-boarding program for all new HLB employees in April 2018 to provide consistent information about the Bank's values and strategies and improve the onboarding experience. In this new program, we also introduced Ethics training for new hires.

**COACHING CULTURE**

HLB is committed to nurturing a coaching culture, and providing learning opportunities and guidance to employees to help them achieve success in the workplace. To foster a coaching culture more than 400 Branch and Service Managers attended a Coaching for Performance Workshop, which was supplemented with interactive pre-work and coaching assignments on SmartUp .

**SOFT SKILLS TRAINING PROGRAMS**

Training in soft skills such as communication, customer service and interpersonal relationships is provided to all employees as these enhance their professionalism, effectiveness and productivity. In FY2018, we rolled out soft skills training programs such as 7 habits of highly effective people, business communication, design thinking workshop, effective business writing, effective negotiating skills, grooming and business etiquette, presentation skills, problem solving and decision making, professional image, professional writing skills and leadership training.

**ACCREDITATION PROGRAMS**

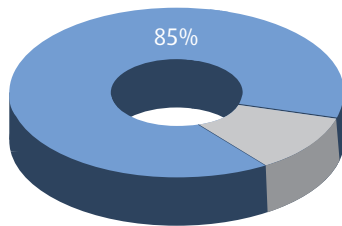
Subsequent to an industry-wide Joint Declaration commitment to professionalise the banking industry, the Bank ensures that personnel involved in critical key functions such as credit, compliance, risk and audit hold relevant specialised qualifications to ensure their ability to carry out their functions professionally and effectively.



## FIT FOR FUTURE WORKFORCE

103-2, 103-3

## OVERALL TRAINING TARGET FOR 2018



DIGITAL BANKING

**HLB, including our international entities, set a target for 85% of our workforce to have completed digital banking awareness training by the end of 2018.**

We are working to achieve this target by launching bite-sized digital awareness training on SmartUp. Our human resource team will also embed the digitisation concept in all on-boarding programs for new employees via the e-learning portal.

## FY2018 Employee Training (1 July 2017 - 30 June 2018)

Classroom Training	Senior Manager	Manager	Executive	Non-Executive
Total number of employees	285	1,577	3,400	636
Total number of training hours provided	12,702	50,788	107,506	7,636
Average training hours per employee	44.57	32.21	31.62	12.01

e-Learning	Senior Manager	Manager	Executive	Non-Executive
Total number of employees	271	1,843	3,915	1,685
Total number of training hours provided	1,8727	12,672	29,334	12,223
Average training hours per employee	6.74	6.91	7.49	7.35

<b>Total number of training hours provided</b>	<b>1,414</b>	<b>10,422</b>	<b>24,543</b>	<b>10,346</b>
<b>Average training hours per employee</b>	<b>5.12</b>	<b>5.56</b>	<b>6.16</b>	<b>6.28</b>

**Staff Capacity Building on Islamic Finance Initiative**

In order to facilitate future growth of the Islamic Banking business, we have launched a comprehensive capacity building initiative for all level of staff, especially for shared resources staff. We have engaged with external training providers to develop and provide in-house structured trainings on Shariah and Islamic finance. The staff who are dealing with Islamic transactions directly or indirectly are to be certified by undergoing a qualification program, namely Islamic Finance Qualification ("IFIQ") Intermediate and Advance level. Before they are eligible to enroll IFIQ program, they are required to undergo a 1-day training session, namely Islamic Finance 2.0 program ("IF2.0"). By end 2019, we target to enroll 3,700 staff for IF2.0 and 500 staff to be certified under IFIQ.

**Certified Shariah Advisor ("CSA") and Certified Shariah Practitioner ("CSP") Programs** were the first comprehensive professional qualifications developed for Shariah professionals working in the Islamic financial industry. The CSA was intended for practitioners with Shariah degrees while the CSP was designed for Shariah practitioners without formal Shariah qualifications. Both programs consist of three certification levels. Participant would be able to complete all levels within a minimum period of three years from the date of enrollment.

To meet the professional development needs of the Shariah fraternity supported by Bank Negara Malaysia, and in accordance with our Capacity Building on Islamic Finance initiative, Hong Leong Islamic Bank sponsored Shariah Division employees to enroll in the programs.



FIT FOR FUTURE WORKFORCE  
103-2, 103-3


**DIGITAL TRAINING**

HLB has targeted a 50% increase in employee upskilling to cater for future technology and manage cyber threats by the end of 2018. Employees complete highly technical training, which includes scripting capabilities using "Python", a banking Java system.

Before the end of 2018, selected Group Operation and Technology employees will have completed (i) lean six sigma, (ii) data analytics, (iii) cloud computing, and (iv) robotics training.


**Digital Shariah Knowledge Sharing**

*The training program was launched under the Digital Shariah Knowledge Sharing banner.  
The first training program was the SmartUp application.*



**I) SMARTUP:**

- A micro learning app and platform that facilitates 24/7 knowledge sharing and learning via smart phones and web, at anytime and anywhere.
- Six Shariah topics were uploaded to SmartUp in FY2018, and they were Gharar, Maysir, Riba, Tawarruq, Mudarabah and Ijarah.




**II) ISLAMIC CHATBOT:**

- This platform is specially designed to address public queries relating to Islamic Finance/ Islamic Banking, or any queries relating to Shariah contracts and HLISB products.

**As part of HLB's digitisation initiative, the Bank is investing in preparing the workforce for the Islamic banking market.**

Currently, there are two Chatbots that the Bank uses and intends to use to enhance Islamic Banking skills and as a knowledge sharing platform:

- (I) THE IBM WATSON CHATBOT:** uses Artificial Intelligence ("AI") to answer enquiries pertaining to Shariah and HLISB products (CASA-i, FD-i, Debit Card-i).
- (II) THE M CHATBOT:** a collaboration between HLISB and a local premiere research university ("RU") to develop a knowledge sharing platform specifically designed for Islamic Finance/Islamic Banking. This particular chatbot is equipped with Shariah knowledge regarding the authorities, articles and scholars in relation to Shariah contracts provided by RU, and HLISB products offered based on the Shariah contracts.

 For more information about SmartUp, please refer to page 51.



## FIT FOR FUTURE WORKFORCE

103-2, 103-3

### RETAINING TALENT AND STRENGTHENING EMPLOYEE COMMUNICATIONS

We believe retaining high performing employees is essential for maintaining institutional knowledge, high morale, satisfied customers, and revenue growth.

Effective internal communication is important for developing trust within HLB. It has a significant impact on employee engagement, organisational culture and, ultimately, productivity. In FY2018, we implemented a clear strategy and evaluation to strengthen employee communications at all levels of the organisation.



### DIVERSE AND INCLUSIVE WORKFORCE

In a multi-ethnic and multi-language society like Malaysia, having an inclusive workplace makes a difference for all employees. We aim to create an environment where employees of every demographic feel welcomed, supported and able to succeed. Equal opportunity is practised at all levels of our organisation. We provide our leaders, managers and supervisors with training in managing diverse workgroups, which helps us create a culture where people are respected and appreciated.

### EMPLOYEE ENGAGEMENT

We aim to keep our employees apprised of HLB's business vision, strategy and priorities and have adopted a number of channels to facilitate two-way communication. The most prominent channel is our intranet network, where employees can easily obtain information related to various departments and divisions, and messages from all the Townhall sessions. Important messages from management or updates of development in and around the Bank are cascaded down to all levels of employees through the intranet network.

The Bank also ensures that our employees have an appropriate channel to communicate their opinions to management. We conducted our first Employee Engagement Survey, with the theme of "My Thoughts, Our Future" ("MTOF") in FY2017. The response was encouraging with 89% employee participation. From the enthusiastic response to the survey, senior management obtained a comprehensive understanding of employee voices. The survey results also helped management design and consolidate focus areas to further create an engaged culture in HLB. The focus areas are: (i) Strategy, goals and objectives, (ii) Teamwork, and (iii) Rewards and recognition. The three focus areas enhance the two-way communication with all our employees through specific and systematic channels.

The Bank also provides platforms for senior management to engage directly with employees. All employees are informed of the official channels to voice their work-related issues or grievances. These grievances are then forwarded to the appropriate members of management so they can be addressed in a timely manner.

In keeping with our communication efforts, the Bank launched the SmartUp app which encourages knowledge sharing and simplifies learning.



FIT FOR FUTURE WORKFORCE

103-2, 103-3, 401-2

Number of grievances about labour practices filed, addressed, and resolved through formal grievance channels:

	FY2016	FY2017	FY2018
<b>Total number of grievances</b>	7	2	4
<b>Number of grievances addressed during reporting period</b>	7	2	4
<b>Number of grievances resolved during reporting period</b>	7	2	4
<b>Number of grievances filed prior to the reporting period that were resolved during the reporting period</b>	0	0	0

REMUNERATION POLICY DISCLOSURE

Hong Leong Bank's rewards strategy is aligned with the Hong Leong Group's total compensation philosophy, which supports and promotes a high performing culture to deliver the Bank's Vision to be a highly digital and innovative ASEAN financial services company. The rewards strategy focuses on providing competitive remuneration and benefits packages, as well as career progression opportunities.

The Bank's rewards framework focuses on a balanced pay mix to achieve the desired long-term business performance. The framework includes base pay, fixed cash allowances, performance-based variable pay, sales incentives, long-term incentives, benefits and other employee programs. The rewards framework ensures that employees are paid competitively in relation to the industry and talent market.

The Bank adopts a rigorous and robust key performance indicators setting process that incorporates risk management (to fulfil risk control objectives) as part of the scorecards for each division (in particular each Head of Division). This is to ensure excessive risk-taking behaviour of staff is minimised and sufficient control mechanisms are in place.

Key performance indicators/key results areas of employees are measured and tracked to ensure strong alignment of employee output to the overall business strategy and direction of the Bank.

Deferred compensation and clawbacks have been introduced in certain compensation programs at all staff levels, such as sales incentive schemes. This is to encourage the right behaviours and minimise the element of risk in approved schemes.

Due to confidentiality of remuneration packages, no stakeholders opinions were sought to ensure the packages are impartial and confidential.

EMPLOYEE BENEFITS

We ensure that we offer our employees remuneration and benefits packages that are on par with other key financial institutions in the country. This includes their salary to performance bonuses and various other benefits such as staff loans/financings, medical benefits, annual/maternity/paternity/prolonged illness leave, car allowance as well as mobile phone and mileage reimbursement where relevant.

The Bank strives to be a preferred employer among the leading commercial banks in Malaysia. We constantly review and provide our employees with more comprehensive benefits as the Bank grows and moves toward achieving our vision.

In FY2018, we improved employee leave benefits as follows:

- 1) Maternity leave - maternity leave was extended to up to four months.
- 2) Birthday appreciation - employees enjoy a half day paid leave on their birthday.
- 3) Paternity leave - Male executive level employees receive five consecutive working days of paternity leave for the first born and three consecutive working days of leave for each subsequent child.
- 4) Marriage leave - executive employees receive five consecutive days of marriage leave.





## FIT FOR FUTURE WORKFORCE

102-17, 103-2, 103-3

**SAFETY AND WELL-BEING**

HLB is committed to maintaining health and safety at every level of the organisation. Through our on-boarding program, we ensure that our employees are able to identify hazards and ensure that risks are effectively controlled.

All employees take personal responsibility for the health and safety of themselves and others. We have implemented effective health and safety systems, processes and practices as part of our on-boarding program and continually look for ways to improve our health and safety performance. We communicate our health and safety challenges via forums and other communication systems.

Below are the FY2018 statistics relating to our Health and Safety Program:

Occupational Health and Safety		
Health + Wellness programs	No. of participants	FY2018
<b>Absenteeism rate</b>	%	20.96%
<b>Accident with fatalities</b>	No. of people	NIL
<b>Accident with lost work days (employees away for calendar days)</b>	No. of days	988
<b>Total number of accidents</b>	No. of accidents commuting to work	17
	No. of accidents at work	2

**ETHICS, INTEGRITY AND COMPLIANCE**

HLB is committed to contributing to a sustainable and secure financial system in Malaysia in the face of rising levels of money laundering activities, cyber breaches, anti-competitive conduct, bribery and corruption. We take a risk-based approach to ensuring that our banking operations remain resilient to financial crimes and to deter and detect the use of our products, services and delivery channels for illegal purposes. To successfully understand and manage such risks, in FY2018, we integrated ethics and integrity goals as part of our compliance initiatives by promoting a strong compliance culture among employees which are aligned to professional ethics and integrity principles applicable to the banking industry.

We have strengthened our gatekeeping initiatives against the risk of legal or regulatory sanctions, material financial loss or damage to the reputation of the company arising from failure to comply with the requirements of applicable laws, rules, regulations and related self-regulatory organisational standards and codes of conduct.

The Bank's Financial Crime Prevention team establishes and maintains Group Financial Crime Policy and Financial Crime Standards and Procedures to prevent money laundering, terrorist financing or other financial crimes. Ongoing responsibilities include monitoring, investigating and reporting bank-wide Suspicious Transaction Reporting ("STR") and acting with Bank Negara Malaysia and other enforcement authorities on all Anti Money Laundering ("AML") and Counter Financing of Terrorism ("CFT") matters. While we continue to strengthen our financial crime control standards by enhancing our AML/CFT system to protect our customers, HLB also invests in training our employees via comprehensive AML/CFT Programs.



## FIT FOR FUTURE WORKFORCE

102-17, 103-2, 103-3

The banking industry is highly regulated, primarily by Bank Negara Malaysia and other regulators such as Securities Commission Malaysia, Perbadanan Insurans Deposit Malaysia ("PIDM") and the Life Insurance Association of Malaysia ("LIAM"). HLB makes every effort to be fully compliant with all applicable laws, regulations and standards in all of the jurisdictions in which we operate, namely Singapore, Hong Kong, Cambodia, Vietnam and China.

An effective compliance culture across the Bank can be achieved and maintained by having a strong approach to managing compliance risks. In line with this, our compliance framework was designed to strengthen the first line of defence, which is the business units, by appointing a Business Unit Compliance Officer ("BUCO") and a Business Unit Compliance Representative ("BUCR") to review and evaluate compliance requirements in business units. The BUCO and BUCR help business units develop rectification plans and escalate issues to Group Compliance for further management. In addition, Group Compliance guides all business units to conduct compliance self-assessment by using a tailored gap analysis tool.

Our compliance policies and procedures are subject to regular reviews to reflect best practices and new regulations.

Compliance training programs make the banking business more resilient to compliance risks, contribute to building a strong compliance culture and increase the Bank's competitiveness both as an employer and a banking services provider. The Bank continues to develop compliance training and awareness content relating to ethics and integrity.

In FY2018, we updated our corporate website content and introduced a section to educate our employees and customers about the significance of the Consumer Data Secrecy and Personal Data Protection Act 2016. Materials were also made available on SmartUp, where employees could access and refer to them at any time.

We are pleased that there were no material incidents of non-compliance with laws and regulations during FY2018.





## FIT FOR FUTURE WORKFORCE

102-17, 103-2, 103-3, 205-2

### KNOW YOUR CUSTOMER/CUSTOMER DUE DILIGENCE

At HLB, "Know Your Customer" ("KYC") is an ongoing, due diligence process that enables the Bank to understand customers' backgrounds and their financial dealings to be able to serve them better. This process ensures that the Bank is safeguarded against high risk or suspicious transactions such as money laundering activities and, terrorism financing related transactions. The Bank has adopted a continuous improvement approach to developing a robust compliance framework that ensures sufficient management oversight in all of the countries we operate in and that AML requirements are strictly adhered to.

In June 2018, we launched the KYC interactive article to enhance awareness among our employees. The article lets readers respond to polls and tests understanding of the topics after each lesson is explained. Within a month the article was completed by 1,058 employees.

There are more interactive articles being developed as part of our KYC and compliance series.

### WHISTLEBLOWING POLICY

The Bank is committed to a high level of business ethics and integrity, as set out in our Code of Conduct and Ethics. Our comprehensive Whistleblowing Policy has been implemented and awareness created among all employees, suppliers and customers. The Whistleblowing Policy acts as a control to safeguard the integrity of the Bank's financial reporting and business practices. All employees and business associates are encouraged to raise concerns about improper conduct at the earliest opportunity. This reporting can be done through a number of channels on a confidential basis. When a report is received, a special task force independently investigates the concerns raised independently.

The Whistleblowing Policy is published on our corporate website so it can be accessed and understood by all employees, business associates and customers.



For more information, <https://www.hlb.com.my/content/dam/hlb/my/docs/pdf/Personal/Footer/EN/whistleblowing-policy.pdf>

### ANTI-BRIBERY AND CORRUPTION POLICY

HLB's Code of Conduct and Ethics is an integral document encompassing the Bank's Corporate Governance and Ethical principles, anti-bribery and corruption requirements, prohibition of position misuse, integrity of record and information, safeguarding customer information, conflict of interest and other legal and regulatory regulations. The Code of Conduct and Ethics applies to all Bank employees including the Board of Directors, subsidiaries and affiliates of HLB's vendors, and business partners.

In June 2018, we revamped the Code of Conduct and Ethics to ensure the provisions were up to date, and in line with the principles introduced in the Code of Ethics for the Financial Services Industry by the Financial Services Professional Board (FSPB), and to promote a strong culture of professionalism among our staff. The Code now also includes the principles of Competence, Integrity, Fairness, Confidentiality, Objectivity and Environment.



FIT FOR FUTURE WORKFORCE  
103-2, 103-3

**COMPLIANCE TRAINING**

HLB has implemented a compliance-oriented on-boarding program to ensure that new employees are familiar with the Bank's Ethics, Integrity and Compliance expectations.

To ensure new recruits attain the necessary banking knowledge and to promote effective compliance culture, an orientation program was designed with a focus on compliance. Compliance modules were uploaded to HLB's mobile application, SmartUp, which enables all staff to access compliance articles and requirements, and FAQs, on their mobile devices on an ongoing basis.

To make the topics of Ethics, Integrity and Compliance more relatable, our Group Compliance department developed animation videos and interactive articles as a better medium of training communication. Frequent refresher training courses and regular monitoring help our employees to be accountable and aware of any unusual transactions or business activities. In 2017, we produced and uploaded animation videos about AML and CFT to SmartUp. These videos help employees apply what they learn to their day to day work, grasp key learning points and improve awareness and understanding of Customer Data Protection and AML/CFT measures.

As of July 2018, the video training on Consumer Data Protection was completed by 7,963 employees, which accounts for 90% of the total workforce. The video training on AML/CFT was completed by 8,182 employees, which is 93% of the total workforce.

Alongside the AML/CFT video productions, Group Compliance also developed an animation video on the subject of Anti-Bribery and Corruption ("ABC"). The video illustrates specific areas where non-compliance could potentially occur and the possible repercussions.

To keep all HLB and HLISB employees up to date with the constantly evolving regulatory landscape, both domestically and internationally, we have established a bank-wide horizon scanning group. The horizon scanning group reviews the applicability of changes/new regulatory requirements and identifies the affected divisions. Following the regulatory changes, training and brown bag sessions are conducted to guide the affected departments on the required operational and policy changes. Regulatory updates are shared via a weekly circular to relevant staffs.



**Video Training on Consumer Data Protection**  
fully completed by **90%** of the total workforce



**Video Training on AML/CFT**  
fully completed by **93%** of the total workforce

# ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

## "Strong, sustainable financial returns"

HLB is committed to achieving strong, sustainable financial returns while respecting the environment and the communities within which we operate. We subscribe to the concept of reporting and constantly developing indicators for measuring our performance and impacts based on the Bursa Sustainability Reporting Guidelines.



Managing Our Environmental Footprint through Environmental Sustainability



Energy Efficiency for Sustainable Operations



Responsible Lending/Financing



Financial Inclusion and Socially Responsible



Hong Leong Foundation Philanthropy Initiatives

**Material Topics:** Managing Our Environmental Footprint, Responsible Lending, Fair Banking, Supplier Assessment, Community Banking





ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE  
103-2, 103-3



**MANAGING OUR ENVIRONMENTAL FOOTPRINT  
THROUGH ENVIRONMENTAL SUSTAINABILITY**



Environmental sustainability is a key part of HLB'S social responsibility efforts. We have established environmental policies, goals and practices that help guide our activities. Environmentally-oriented thinking is incorporated into a range of our operations, including lending, products and services, and community activities.

HLB'S activities range from participation in conservation initiatives in communities across the country, to following well-recognised domestic and international standards and reporting agreements.

**ENERGY EFFICIENCY FOR SUSTAINABLE  
OPERATIONS**

Our energy efficiency principles are woven into our business and building operations. We constantly strive to better manage our energy usage and have implemented. Recycling programs and energy conservation measures in offices and branches to reduce our carbon footprint. We also promote green operations, energy conservation, reduced water consumption and recycling.





## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

103-2, 103-3, 301-1, 301-2

One third of our input materials are recycled. The recyclable material consists of paper and other office materials. In FY2018 total weight of recyclable material used in operation was 46,000kg, of which 15,000kg or 33% was recycled after use.

In FY2018, RM12.2 million was spent on printing and delivery, and RM2.436 million on cheque book printing. Our Bank aims to reduce printing volume and promotes the reduction of paper usage and printing. Reducing the volume of printing is one of our sustainability agenda items, and our operations "Go Green" by reducing the cost of printing documents such as statements, notices, letters and reminders by 54% in FY2019. Following this initiative, we will convert our paper statements to e-statements, e-notices, e-letters and e-reminders.

In recent years, we focused on reducing cheques by setting an annual cheque reduction target for cheques cleared via Sistem Penjelesan Informasi Cek Kebangsaan Elektronik (eSPICK) and cheques cleared internally (house cheques). To support this initiative, we ceased the issuance of cheques for the Bank's own payments across all branches, which resulted in zero cheque issuance for operational payments such as customer payments/refunds, payments to government, all service providers/vendors and utility companies. In addition, the Bank stopped issuing cheque books for Pay & Save Accounts.

The Bank is encouraging online payments as the preferred payment option as it is more environment friendly. To support this, the Bank has waived the fee imposed on individuals and SME for any IBG and instant transfer transactions made via electronic channels such as internet banking, mobile banking and ATMs.

We are also addressing the fuel consumption of our company vehicles. We observed a sharp reduction from 4,272 kilojoules in FY2017 to 3,337 kilojoules in FY2018 for our company vehicles down by 42.72%.

The Bank has pledged to reduce overall energy consumption by 5% by 2020. Within the next three years, we will replace all building lighting with LED lights and rationalise our air-conditioning and chilled water equipment and usage.

We successfully reduced our electricity consumption in PJCITY, from 9,254,162kwh in FY2017 to 8,823,559kwh, in FY2018. This represents a 5% decrease in electricity usage within a year. This saving is attributed to our property management's efforts in redistribution car park lighting; installation of timers that efficiently control Air Handling Units and chillers; installation of sub-meters for the air conditioning system to monitor and control usage; and motion sensors for lighting in all washrooms.

We moved into our new head office, Hong Leong Tower ("HLT"), in July 2017. HLT is a Certified Green Building, and it registered 5,458,697kwh usage as a result of the green building initiatives undertaken during the construction and fit-out of the tower.

To minimise electricity consumption in HLT, several energy efficient items were installed, including: (1) photocell sensors to activate lighting when ambient lighting levels are low; (2) motion sensors to activate lighting only when the room is occupied; and (3) digital electrical sub-meters to efficiently track electricity usage.

Carbon Dioxide ("CO<sup>2</sup>") levels are monitored and controlled by a fresh air monitoring system, which is activated if CO<sup>2</sup> levels exceed 800ppm.

CO <sup>2</sup> levels	
250-350ppm	Normal background concentration in outdoor ambient air
350-1,000ppm	Concentrations typical of occupied indoor spaces with good air exchange
1,000-2,000ppm	Complaints of drowsiness and poor air

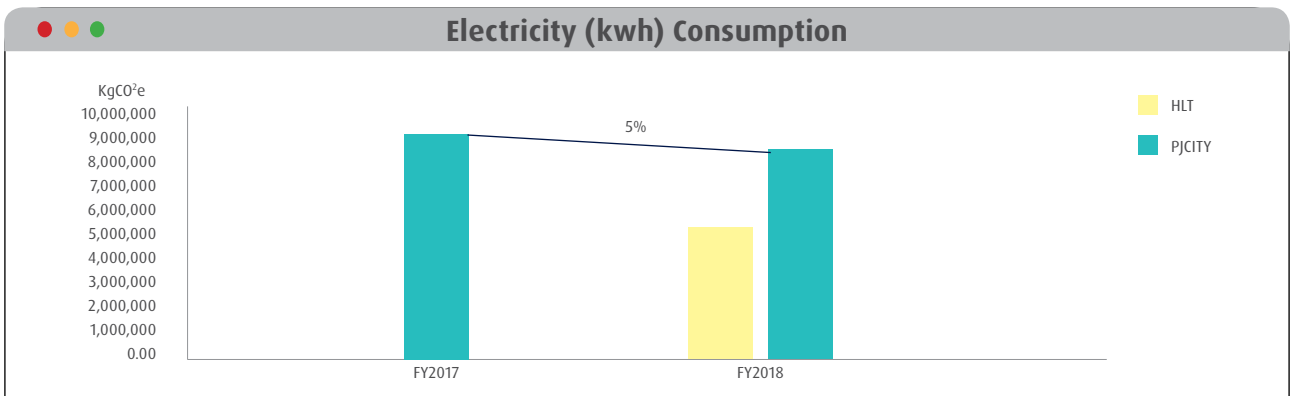
HLT uses energy efficient LED and T5 light fittings, and light zoning enhances efficient usage of lighting. Air conditioning zoning optimises efficiency and all chillers are environmentally friendly and use R134 gas. The Command Centre is equipped with monitoring and control systems of all building fittings, fixtures, and equipment to help track, and enhance, HLB's environmentally friendly strategy.



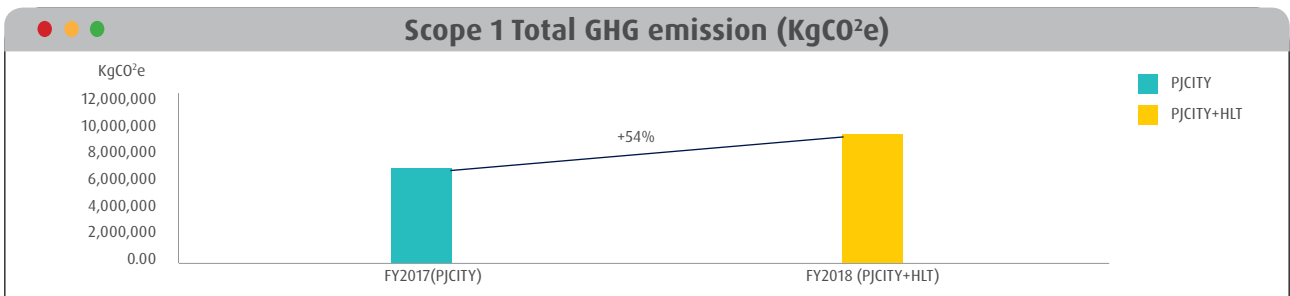
ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE  
103-1, 302-1, 302-4, 305-1, 305-2, 305-5

Electricity (kwh) Consumption			
	FY2017	FY2018	YOY %
HLT	NIL	5,458,697	NIL
PJCITY	9,254,162	8,823,559	5% reduction YOY

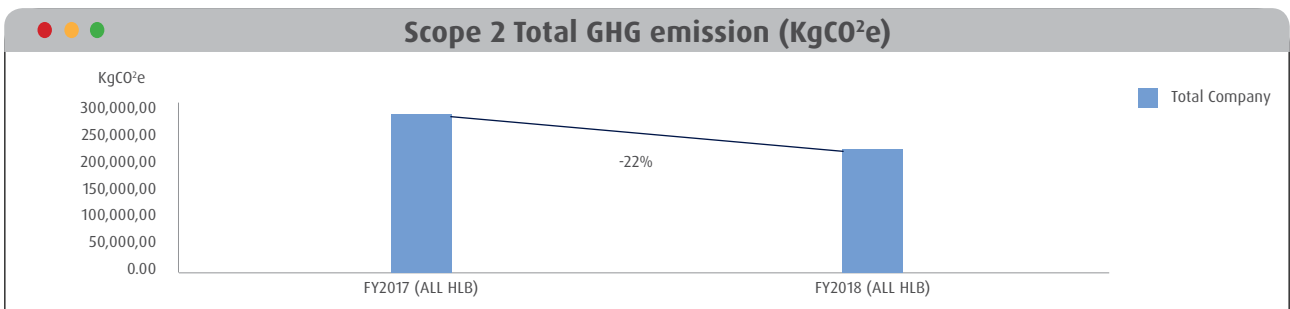
Building electricity consumption in PJCITY decreased by 5% from FY2017 to FY2018.



Scope 1 total GHG emission increased by 54% from FY2017 to FY2018 because Hong Leong Tower (HLT) only began full operations in FY2018.



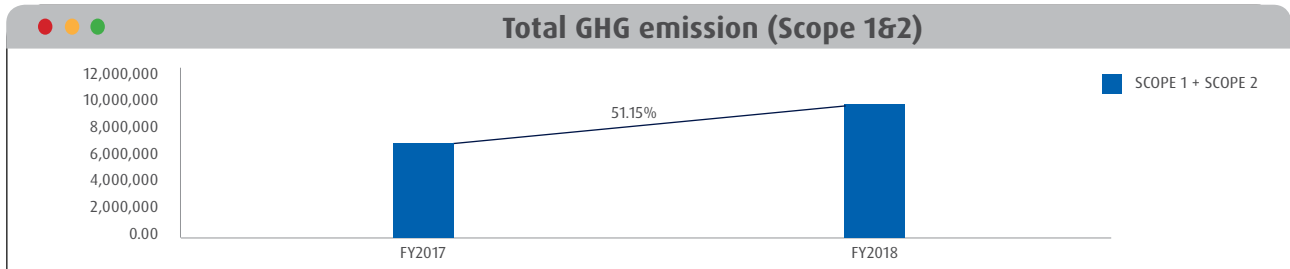
Scope 2 total GHG emission decreased by 22% from FY2017 to FY2018.





## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

Carbon emissions increased by 51.15% from FY2017 to FY2018 because HLT only began full operations in FY2018.



Source: The emission factor for petrol is 2.20307 kgCO<sub>2</sub>e/L.

The value is sourced from the UK Department for Business, Energy and Industrial Strategy: <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2018>

The emission factor for electricity is 0.694 kgCO<sub>2</sub>e/kwh at <http://www.seda.gov.my>

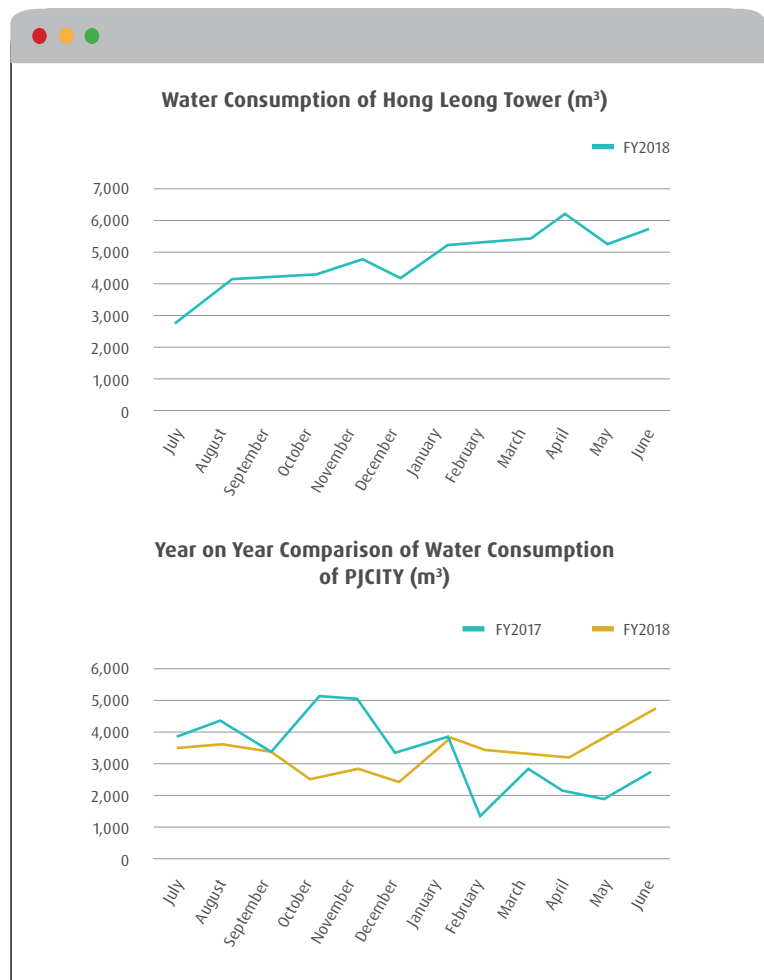
HLT became fully operational in FY2018, so water consumption data is not available for the full financial year.

Our Water Conservation efforts in PJ City reaped savings of 4% from 41,230m<sup>3</sup> in FY2017 to 39,550m<sup>3</sup> in FY2018. This is the result of our employees' water conservation efforts.

### Year on Year Comparison of Waste Management of Hong Leong Tower and PJCITY (m<sup>3</sup>)

To support our environmental sustainability efforts, we launched a series of employee education and awareness programs about environment conservation and waste reduction. In March 2018, we began to track waste in HLT, particularly the weightage (kg) of disposable items such as plastic, paper/carton boxes, and aluminium cans. We will report the results in FY2019.

At HLT, as part of the Green Building initiatives, we implemented separation of waste into paper, plastic and aluminum, and installed a rainwater harvest tank that harvested water used for landscaping, and low aerator taps to reduce water consumption.



ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE  
103-2, 103-3, 408-1, G4-FS7, G4-FS8

**RESPONSIBLE LENDING/FINANCING**

Being a responsible financial institution, HLB takes the protection and healthy growth of our nation and communities into account when making lending decisions. In wholesale banking, this means incorporating environmental/social considerations and due diligence into the lending/financing process, which may include site visits, assessments of a client's environmental record, or third-party review on proposals that are deemed to impact the environment.

We established the Business and Corporate Banking Manual as the overall credit policy that governs the credit risk function of the Bank, specifically for corporate and commercial loans/financing. The manual aims to achieve alignment of the various functions of the credit chain with the ultimate objective of building a healthy and cohesive credit culture.

All employees are required to adhere to and be conversant with the provisions of the rules and regulations of Bank Negara Malaysia and the Ministry of Finance.

Decisions about existing or future products/services and engagement with stakeholders are guided by the Business and Corporate Banking Manual and regular updates.

Comprehensive guidance on the policies and regulations contained in the Manual are provided by our Chief Credit Officer, whole banking to ensure all necessary risk assessments and due diligence are conducted.

**Conventional and Islamic Facilities to support Local SME and Communities in Needs**

We value our position in nation building, especially in supporting the development of the SME segment in Malaysia. Conventional and Islamic facilities are offered under Bank Negara Malaysia's funded schemes which promote the growth of SMEs and provide access to financing at reasonable cost. HLB is one of the active participating financial institutions. In FY2018, HLB's value of Bank Negara Malaysia's funds for SMEs under conventional financing was RM764.0 million, while total funds for SME Islamic Financing was RM131.75 million.

HLB also supported Bank Negara Malaysia's initiative to provide financing to SMEs affected by disasters to assist them in resuming their business operations. The Fund is called the Disaster Relief Fund/Special Relief Fund. In FY2018, HLB committed RM4.40 million for conventional financing and RM0.85 million for Islamic financing under the Fund.

**Sustainable Financing for Corporates SME of Green/Renewable Energy Project**

In line with our empowerment and support of corporates and SMEs involved in green and renewable energy projects, the Bank launched an initiative to provide RM500 million financing to corporates and SMEs for activities relating to renewable/sustainable energy from FY2018 to FY2022.

**Supplier Assessment**

HLB follows a stringent assessment process before the Bank signs up vendors/suppliers to become business partners. Among the assessment done of vendors is the On-boarding Screening Process that includes due diligence on the vendor candidates' green initiatives, their occupational health and safety policies, their standing against fair and progressive labour policies, and their standing against bribery and corruption.

In FY2018, the Bank asked existing vendors to attest that they upheld HLB's sustainability values and we implemented stringent On-boarding Screening and annual due diligence reviews to monitor same.



## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

103-2, 103-3

FY2019, we aim for all of our vendors to practice green initiatives like reduce, reuse and recycle paper and waste; uphold high standards of occupational health and safety; oppose child labour, and forced labour; and stand against bribery and corruption.

We also implemented an annual IT Vendor Due-Diligence Process for IT risk and compliance. Under this program we classify contractors/vendors with contracts longer than one year by conducting due diligence on their credit status as well as their business continuity management. We set up a task force to conduct site visits, assess and monitor their practices and review their administrative and human resource management.

We implement payment terms according to vendor classifications. We classify vendors based on the annual vendor due diligence process results. Vendors who are non-compliant are removed, while critical vendors providing quality core business support with the best pricing are classified as Premium Vendors.

### Fair Banking

HLB promotes fair banking practices and incorporates fair banking elements into every stage of the product business cycle from product development and sales and marketing of financial products and services, to account maintenance and product improvement.

We ensure our operations are fully compliant with the standards and expectations set by regulators in relation to fair banking, including Bank Negara Malaysia's Guidelines, particularly the Principles for Fair and Effective Financial Market, Guidelines on Prohibited Business Conduct, Guidelines on Product Transparency and Disclosure, and Guidelines on Responsible Financing.

The Bank shapes compliance to the relevant requirements from the product development stage by requiring all new products and product variations to undergo assessment by the Product Evaluation and Approval Committee ("PEAC"). This also applies to our subsidiaries (i.e. HLB Vietnam and HLB Cambodia) and branches (i.e. HLB Singapore and HLB Hong Kong) and HLISB. PEAC comprises C-suite members and is chaired by the Group Managing Director/CEO. The committee evaluates and scrutinises each products at length prior to making a final decision on the product.'

The compliance process of evaluating new products includes assessment of the suitability of the product for customers as appropriate, the responsibility of the Bank to provide the right product consultation, clear and transparent disclosure of the features and risks associated with the product, regional/international requirements, licenses/registration required to sell the product, amendments in policies and procedures required to facilitate the offering of the product and identification of potential non-compliances and preventative measures necessary.

To ensure that compliance requirements are understood and practised by all staff, Group Compliance works with business units to provide training and briefings throughout the year. Ongoing compliance is assured by adherence to the Employee Code of Conduct, Relationship Manager Handbook, and Internal SOPs.

## FINANCIAL INCLUSION AND SOCIALLY RESPONSIBLE

### Community Financial Literacy Enhancement Initiative

HLB took initiatives to enhance financial literacy among our customers with the objective of educating customers and other groups or communities on financial planning and money management. We collaborated with Bank Negara Malaysia (BNM) to enhance public awareness of various SME development initiatives and sources of financing for SMEs. Existing customers were invited to attend BNM briefing sessions in regions such as Alor Setar, Kedah and Kota Kinabalu, Sabah in January 2018, and Labuan in February 2018. Another collaboration with BNM was the Karnival Kewangan in Sabah, in August 2017 and Kuching, Sarawak in November 2017, which targeted retail customers.

HLB supports environmental organisations and projects in cities and towns across the country and provides financial services for all communities in the country.



ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

103-2, 103-3, FS13


Under Program Celik Muamalat, HLISB collaborated with Johore Islamic College (MARSAH) as part our support towards Value-based Intermediation initiative. The program was held in March 2018 at MARSAH where 75 students and lecturers from the faculty of Muamalah attended the event, where our speakers shared on topics that create awareness on Islamic Finance and the Financial industry. The program also aim to increase the knowledge as well as financial management so that it gives impact to not only their studies, career goals as well as their way of living, leading to better financial wealth.

In support of BNM's Investment Intermediation initiative, HLISB is developing the Hong Leong Islamic Investment Account, which will soon be available via digital platforms. The product will be marketed to affluent and emerging affluent segment from T20 and top tier M40 with the financial appetite for this product.

In an attempt to diversify its offering to its customers, HLISB enlisted itself as a distribution agent for ASNB with effect

from 23 April 2018. With the above, the Bank offers 12 ASNB Unit Trust Funds comprising 6 Fixed Priced Funds (Amanah Saham Bumiputera, Amanah Saham Didik, Amanah Saham Wawasan 2020, Amanah Saham Bumiputera 2, Amanah Saham Malaysia & Amanah Saham 1Malaysia) and 6 Variable Priced funds (Amanah Saham Nasional, ASN Equity 2, ASN Equity 3, ASN Imbang 1, Amanah Saham Nasional 2 Imbang & ASN Sara (Mixed Asset Conservative). Eligible customers for the subscription of these funds are both Bumiputera and non Bumiputera Malaysians.

To provide Bumiputera customers with an option to subscribe to ASB through financing, HLISB launched Amanah Saham Berhad (ASB) Financing in June 2018. The Targeted segment is Bumiputra customers in the M40 Tier, the middle 40% with household income of between RM3,860 and RM8,319. ASB Financing helps the segment save for the future, given the opportunity provided between the cost of financing (approximately 5% per annum) and historical dividend returns (approximately 8% per annum).

 Note: The T20, M40 and B40 income classifications in Malaysia. Top 20% (T20) a household needs to earn at least RM13,418 while Middle 40% (M40) a household needs to earn at least RM6,275 and Bottom 40% (B40) a household needs to earn at least RM3,000.

**SERVING THE UNDER-SERVED**

Conscious of the need to make financial services available to under-served segments of society, we have set up branches and self-service terminals in low-populated as well as economically disadvantaged areas. The low-populated areas are defined by the Economic Planning Unit ("EPU") based on the Gross Domestic Product ("GDP") per capita per state in 2016.

Branches	2017	2018
Total number of points of access available in low-populated or economically disadvantaged areas	93	92
Total number of points of access	296	273
% of points of access in low-populated or economically disadvantaged areas	31%	34%

Self-Service Terminals ("SST")	2017	2018
Total number of points of access available in low-populated or economically disadvantaged areas	414	381
Total number of points of access	1,390	1,178
% of points of access in low-populated or economically disadvantaged areas	30%	32%

Our FY2017 reporting was based on the average GDP per capita per state for the past 10 years. In FY2018, we adjusted our reporting on Low-Populated and Economically Disadvantaged areas in accordance with the latest Economic Planning Unit information, which is based on the GDP per capita per state in 2016.





## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

103-2, 103-3



Young adults under the Youth Empowerment Program 2018 were encouraged to take up the HLISB challenge, which entitled them to RM1,500 seed capital to start their entrepreneurial venture.



30 single mothers and underprivileged women attended a one-day cake and bread-making course conducted by Ziq Bakery Terengganu.

### Community Banking and Social Responsibility

Corporate sustainability for banks is much more than charity. HLB is committed to improving the future of all communities through our Corporate Social Responsibility program.

### Corporate Social Responsibility Initiatives

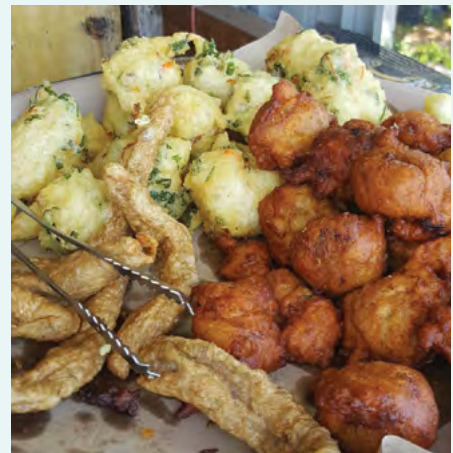
2017 is the year where HLISB had focused on tapping on the underprivileged communities from the children segment inclusive of children with critical illness, young adults, women and the social enterprise business owners.

In ushering the holy month of Ramadhan, HLISB distributed Medjool dates to eight homes as part of our community outreach. For Hari Raya, which is the main celebration for Muslims, we distributed vouchers such as Tesco, Aeon, Giant, and KFC to underprivileged families around Klang Valley to ease their burden in preparation for Hari Raya Aidilfitri celebrations.

HLISB reached out to young adults via the Youth Empowerment Program 2018, in which a group of young adults were taught financial literacy. In return, they were encouraged to take up the HLISB challenge, which entitled them to up to RM1,500 seed capital to start their entrepreneurial venture.

The CSR team of HLISB took a trip to Kuala Terengganu on the East Coast to sit in on a one-day baking class conducted by Ziq Bakery. 30 single mothers and underprivileged women from the area were invited to the class, which also included an entrepreneurship talk by the owner of Ziq bakery. At the end of the program, the participants were provided with RM700 as seed capital for them to start practising their baking and finding opportunities to sell their products locally.

### Pn. Razanaaini Binti Ismail and her baked goods



ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE  
103-2, 103-3

Pn. Rohana A Rani and her Gerai Nyior Sohor



As part of our ongoing Financial Literacy program, HLISB collaborated with Money Tree Asia to educate children/students on the importance of planning, saving and organising their personal finances. The program benefitted almost 60 students from four schools in Klang Valley. The program succeeded in raising awareness of the importance of financial literacy. The program created interest in the Bank's products, as 44 new bank customers were opened under HLISB Junior Savers Account-i.







## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

103-2, 103-3



### We rise by lifting others

HLISB initiated the Cupcake Charity 2.0, which is an internal crowd funding activity that raises money by selling cupcakes. It is supported by HLB management and staff and it fulfills the wishes of children with cancer who were being treated at Hospital Sultanah Aminah, Johor Bahru, Hospital Selayang and Hospital Universiti Kebangsaan Malaysia (HUKM).



IMPACT is an initiative that creates micro-franchising opportunities for successful Impact Driven Enterprises (IDEs) to scale their business while providing employment to B40 communities across the nation. The IMPACT program was a collaboration between MyHarapan (a Youth Trust Foundation) and Magic (the Malaysian Global Innovation and Creativity Centre). HLISB was one of the first banks to pledge RM30,000 in support of this initiative.

The IDEs are companies that are built to solve particular social problems. Through micro-franchising, great ideas and sustainable business models can be rolled out by entrepreneurs while simultaneously tackling a social problem that is line with HLISB values.



HLB and HLISB had a team of four runners and a top level management representative to participate in the Bursa Bull Charge Run 2017. Every year, Malaysian capital market players gather to compete in the run to support charitable organisations.

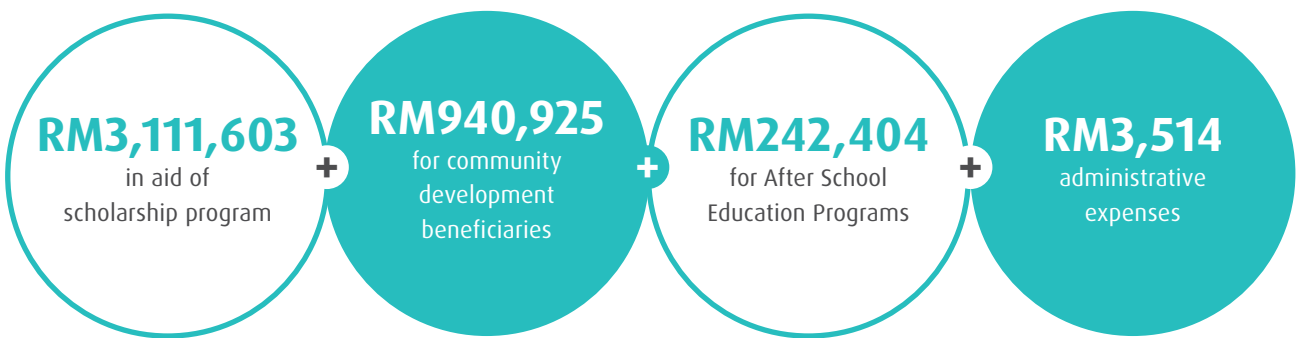
The Hong Leong Inter Group Bowling Tournament 2017 is part of the annual employee engagement activity organised by the HL Foundation. Besides getting to know the operating business under the Hong Leong Group, it is a fun session that contributes to charity. The points collected by the teams during the game are converted to cash and donated to the chosen charity bodies or non-profit organisations.



ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

**HONG LEONG FOUNDATION PHILANTHROPY INITIATIVES**

At HLB, we believe in giving back to the community to build the community. The Hong Leong Foundation Philanthropy program ("HLF") was set up to drive philanthropy initiatives. Total sponsorship spent on HLF in FY2018 was RM4.29 million.



HLF invests exclusively in programs of social impact that provide direct services in Education and Community Development as follows:

EDUCATION	SCHOLARSHIP PROGRAM	COMMUNITY DEVELOPMENT AND ASSISTANCE
<p>After School Education Programs that address the academic needs of disadvantaged populations and Orang Asli. Initiatives under this category support the development of academic skills through sponsorship of mentoring, Art Education, Special Education, and/or Alternative. In FY2018, HLB contributed RM242,404 to Education philanthropy programs. The funding went to 20,628 direct and indirect beneficiaries in the country.</p>	<p>In FY2018, HLF allocated RM3,111,603 to provide opportunities for under-privileged scholars to complete their tertiary education. 227 scholars were beneficiaries of the FY2018 scholarship program.</p>	<p>Programs that pursue the strengthening of civil society by prioritising the actions of communities and their perspectives in the development of social, economic and environmental policy. Community development programs may support infrastructure, economic development projects, installation of public facilities, community centres, housing rehabilitation, public services, clearance/acquisition, microenterprise assistance, code enforcement, homeowner assistance and many other identified needs. Community Assistance provides relief funds to disaster stricken communities to help them rebuild homes. In FY2018, HLF's contribution to Community Development and Assistance amounted to RM940,925 and benefitted 25,779 direct and indirect members of multiple communities in Malaysia.</p>



## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

Below is a list of programs HLF assisted with philanthropy funding:

### Education

<p><b>1. Orang Asli Literacy Program by the British Council</b></p>	<p>The British Council conducted literacy and storytelling programs at six Orang Asli schools in Dengkil, Selangor, to help improve students' reading capability in English. A total of 945 Orang Asli students benefitted from this program. Sponsorship from HLB was RM196,100.</p>
<p><b>2. Chumbaka Program by Maker21 PLT</b></p>	<p>A workshop where 75 students were given training on digital making tools and taught skillsets such as coding and embedded systems over a period of six months. The FY2018 funding for this program was RM20,000. RM30,000 will be contributed in FY2019.</p>
<p><b>3. Special Learners' Program by Child Information, Learning and Development Centre ("CHILD")</b></p>	<p>This Special Learners' Program was conducted in Kuala Lumpur and Taiping. 120 students from six schools received special mentoring and tutoring. All 120 students were from socio-economically disadvantaged families and had not been performing well in school. The FY2018 sponsorship amount was RM26,304.</p>

### Community Development and Assistance

<p><b>1. Dignity for Children, Kuala Lumpur</b></p>	<p>HLB participated in the Dignity For Children campaign by providing 14 underprivileged local children with quality education, after school tuition and holistic care so they could develop academically, socially and emotionally and break the cycle of poverty. The children had a history of being abused at home. HLF contributed RM12,600 for 14 students in Kuala Lumpur.</p>
<p><b>2. Flood Relief for SSB Staff, Penang</b></p>	<p>HLF made an ad Hoc Flood Donation to 141 SSB staff in need of financial aid due to the damage caused to their homes by flooding in Penang. The cash donation of RM70,500 was handed to 141 victims of flooding by one of our Branch Managers.</p>



ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

<p><b>3. Persatuan Kasih Sejati, Kuala Lumpur</b></p>	<p>This is a Hand-in-Hand Charity Program where HLF provided six months of in-kind assistance to 23 families who needed help to ease their burden while they improved their conditions. The types of support included medical support, monthly groceries, job placement, rental and education fees. The assistance provided was based on the needs of each family. The total contributed by the fund in FY2018 was RM37,000.</p>
<p><b>4. Good Shepherd Services (ADP), Sabah</b></p>	<p>HLF contributed RM40,300 over six months to help with the maintenance costs and utilities of the Desa Pukak hostel (ADP), Sabah. This funding helped 30 school children by providing them with meals, academic support and enrichment activities that contributed to their holistic development.</p>
<p><b>5. Persatuan Kebajikan Komuniti Taiping, Perak</b></p>	<p>HLF supports this charitable society in Taiping that serves as a work centre for 30 adults with physical disability. It is also a learning centre that provides free tuition for 30 children from disadvantaged families in Taiping. With the HLF contribution, the society purchased a van to transport the physically disabled individuals from home to the work centre daily and bring the children to their classes. The HLF contribution in FY2018 was RM122,003.</p>
<p><b>6. IDEAS Autism Centre, Selangor</b></p>	<p>The IDEAS Autism Centre (IAC) in Rawang, Selangor offers early intervention and care for 40 autistic children from low income families. IAC provides healthy and nutritious meals for the students. HLF contributed RM15,400 towards groceries for six months.</p>
<p><b>7. Persatuan Kebajikan Kanak-Kanak Kajang (PKKK), Selangor</b></p>	<p>HLF donated RM34,000 to subsidise food, staff salaries, transportation, rental, van maintenance and insurance so that 118 children could go to the centre daily for food and educational support after school hours. PKKK also provides counselling for some of these students and parents. Their reading room houses 34 single mothers. PKKK runs skills training for single mothers to help them earn extra income for their families.</p>
<p><b>8. St. Nicholas' Home, Penang</b></p>	<p>St. Nicholas' Home is the pioneer in developing educational resources for the blind and visually impaired (BVI). Currently, approximately 27 BVI residents and trainees, ranging from four to 80 years of age, are undertaking training or in residence at the Home. HLF donated RM12,331 to equip the home with furniture, LCD Vision Chart, Bakery Machinery &amp; 4 Burner Cookers.</p>







## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

<p><b>9. Persatuan Kebajikan Sri Saradha Devi Illam</b></p>	<p>This charitable society in Rawang, Selangor houses 25 girls aged from four to 18 years who are orphans, children of single parents or from broken families. HLF donated RM97,200 to subsidise the rental, van loan instalments, petrol, staff salaries, groceries, school expenses, utilities and other needs for a period of six months.</p>
<p><b>10. Persatuan Bantuan Pendidikan Kanak-Kanak Khas (PEKAKA)</b></p>	<p>PEKAKA is a centre that houses 35 children with special needs in Kedah. Currently, the aim is to provide skills-based training for school leavers with special needs. 13 youths are in this workshop and they learn bakery and handicrafts daily. HLF contributed RM25,318 to equip the centre with a chiller, an espresso machine, furniture and fittings to operate a mini cafe.</p>
<p><b>11. Pertubuhan Kebajikan Mental Selangor (PKMS)</b></p>	<p>PKMS is an NGO established to provide therapy and assistance to patients suffering from various forms of mental related illness such as bi-polar disorder, schizophrenia, down syndrome, dyslexia and senile dementia. The home houses 80 patients and is located in Selangor.</p> <p>HLF contributed RM30,000 to subsidise their house rental, van loan instalments, petrol, staff salaries, groceries, school expenses, utilities and other needs for a period of six months.</p>
<p><b>12. HCK Home For Children Care, Kuala Lumpur</b></p>	<p>HCK Home for Children Care was started with the objective of providing every child the opportunity to pursue education. The Home conducts motivation talks, and moral classes, offers counselling and gives children the opportunity to participate in leadership and skills. The Home imparts living skills training and the children are taught to be responsible for their personal chores like washing their own cutlery, laundry and keeping the Home clean. HLF allocated RM28,082 for the installation of CCTV at the premises, and the purchase of a chiller and a wardrobe. Due to logistical reasons, these funds will be disbursed in FY2019.</p>
<p><b>13. Yayasan Chow Kit - Pusat Aktiviti Kanak-Kanak, Kuala Lumpur</b></p>	<p>The centre provides a safe placement/temporary placement for children at high risk. Currently, 36 Malaysian children are in need of medical aid and food provisions.</p> <p>HLF allocated RM95,402 to pay for supplements, medical and hygiene kits, milk powder, and groceries for a period of 12 months.</p>



ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

<p><b>14. Kelab Kebajikan Staf SK Bulan Jeragam, Sarawak</b></p>	<p>Bulan Jeragam School Welfare Club in Sarawak focuses on obtaining external funding to help low income students obtain the materials needed to enhance the students' overall performance.</p> <p>HLF contributed RM13,264 to pay for education equipment, tools for the science lab and additional books for 42 upper primary students.</p>
<p><b>15. Kechara Soup Kitchen Society, Kuala Lumpur</b></p>	<p>KSK currently has over 7,000 clients in their database. Through their programs, KSK is able to help homeless and urban poor clients in many different ways such as medical aid, hospital/medical follow up, welfare placement, job placement, reconnecting with family, Mykad replacement, welfare applications, referral to rehabilitation centres, skills training and funeral arrangements. HLF contributed RM170,862 to cover the cost of food for six months.</p>
<p><b>16. Dignity for Children, Kuala Lumpur</b></p>	<p>The program of Dignity for Children provides 14 underprivileged local children with quality education, after school tuition and holistic care during the after school tuition session.</p> <p>HLF contributed RM12,813 to pay for furniture and fittings for the classroom, chiller freezer, rice cooker and microwave to store and cook healthy meals for the kids during the after school tuition.</p>
<p><b>17. Persatuan Kebajikan Vinashini, Negeri Sembilan</b></p>	<p>Vinashini Home in Seremban was established to care for 61 orphaned and, mentally and physically ill children and adults. HLF contributed RM29,810 to pay for household items, furniture and miscellaneous needs.</p>
<p><b>18. Hospis Malaysia</b></p>	<p>Hospis is in need of sponsorship to cover their nurses' salaries. HLF Contributed RM11,580 towards the salary, EPF and petrol allowance for one trained nurse for one year.</p>



## ENVIRONMENTALLY AND SOCIALLY RESPONSIBLE

**19. Malaysia Collective Impact Initiatives - Year 3, Kuala Lumpur**

MCII is the first collective impact organisation to work in partnership with schools and communities to identify school needs and map them to program owners in a coherent framework. The main areas of focus for MCII are literacy and career aspirations.

**Literacy:** Across all grades students are able to access information and communicate effectively in both English and Bahasa Melayu. Parents and community partners are better equipped to support children's literacy skills development.

**Career aspirations:** Students are informed about career pathways to future success.



There are  
**14 schools**



**922 teachers**



**18,332 students**  
covered under this initiative.

HLF contributed RM50,000 towards the organisation's operation costs.

**20. United Voice - Self advocate workshop, Kuala Lumpur**

This is a capacity building initiative to provide training for 20 individuals with learning disabilities to become trainers and facilitators. The Workshop was held in December 2017. Participants from across Malaysia learned how to conduct training and facilitate discussions. HLF contributed RM5,120 to cover the workshop costs for the participants.

**21. Toy Library Malaysia (TLM)**

TLM is a pilot project to set up an Early Childhood Care and Education Centre called Toy Library and Playgroup Hub at the PPR Community for the low income group in Damansara Damai. The aim of TLM is to provide children below the age of six with early childhood care and empower stay at home mothers at the PPR by providing quality, affordable and accessible early childhood education for young children. HLF subsidised RM27,500 for the furniture and fittings, educational items and reading materials for the children.



# EMPOWERING THE SMALL AND MEDIUM SME GROWTH

## "Essential providers of jobs and economic growth for the nation"

In Malaysia and the Southeast Asia region, Small and Medium Enterprises (SMEs) are essential providers of jobs and economic growth. According to 2016 SME statistics, SMEs account for 98.58% of enterprises, 66.3% of employment, and 36.6% of gross domestic product in Malaysia. They are also an essential partner in the country's Service, Manufacturing and Construction industries. In 2017, Malaysian SME grew 5.2%. Subsequently, the 2018 Budget received a significant boost with RM22.2 billion being allocated for SME development.

SMEs face a number of size-related market challenges that affect their survival and limit their growth. These challenges occur in areas that contribute to firm competitiveness: accessing technology and engaging in innovation, accessing finance, securing and training skilled workers, and accessing markets. The most widely known area of market failure is access to finance. Credit and other forms of finance are critical in providing working capital to support the regular operations of the enterprise, and investment capital is required to scale up the enterprise and enable expansion into new markets.

HLB takes an active role in supporting the growth of Malaysia's SME sector by providing financial support to SMEs and enabling opportunities that address their non-financial needs. In FY2017, our target for SME loan base was RM20 billion and we plan to double that by FY2021. We aim to achieve this by supporting the growth and capability development of SMEs through the provision of relevant tools, knowledge, and banking products and services.

HLB's Group SME Banking has developed solutions that cater specifically to the needs of Malaysian SMEs. Taking into consideration business pressure points and operational requirements, a range of product offerings and initiatives are available to the SME segment such as SMElite Financing Package, Business Cash Loan, Credit Guarantee Corporation Malaysia Berhad ("CGC") Schemes, as well as Bank Negara Malaysia funded schemes.

HLB offers SMEs a competitive advantage on the digital front via banking solutions such as HL ConnectFirst and HLB Digital Business solutions that provide SMEs with the flexibility to integrate sustainability into their day-to-day operations, making them more responsive and adaptive to shifting markets.



Empowering SMEs on  
the Financial Front



Innovative Digital  
Solutions for SMEs

**Material Topics:** Community Banking





## EMPOWERING SMALL AND MEDIUM ENTERPRISE GROWTH

103-2, 103-3



Three Business analysis tools



Non-lending product bundle with all fees waived



Current Account



Merchant



HLB Digital Business Solutions

### EMPOWERING SMEs ON THE FINANCIAL FRONT

In conjunction with the Malaysian Government efforts to develop SMEs to support broader economic activities, HLB and CGC established a strategic partnership to develop financing collaborations and initiatives that will provide SMEs with access to cost-effective and efficient funding amounting to RM200 million. Such financing is offered under SMelite financing packages (launched in June 2018) and Business Cash Loans under the CGC Portfolio Guarantee Scheme as well as other CGC Schemes.

CGC is a subsidiary of Bank Negara Malaysia that provides credit guarantees to SMEs and the business community to obtain credit facilities from financial institutions. CGC also provides assistance to SMEs with inadequate collateral or without collateral or a track record to gain access to credit via various guarantee schemes. This service includes conventional and Islamic facilities, government-funded schemes, and direct lending.

SME CAN (Cash Advance Now) is an example of a financing collaboration between Hong Leong Bank and CGC. This program offers short-term clean micro-financing against CGC Guarantees and caters specifically to meeting the working capital and capital expenditure (CAPEX) needs of existing merchant customers.

SMECAN offers financing from RM10,000 up to RM100,000 with tenure up to 24 months. Several unique features of SMECAN include: online platform submission within the customer's own workspace; more weights to underlying business performances rather than balance sheet; card sales and bank account data at the transactional level to be used for assessment; Machine Learnings used to enhance credit assessments efficiency and effectiveness; borrowing capacity to be linked with card sales and payment flow to ease the repayment responsibility of the merchants; and automated, constant monitoring of business performance based on transactional activities.

We have developed our own cradle program, to help new start-ups and new entrepreneurs through six self-help articles, three business analysis tools, non-lending product bundles with all fees waived and current account, merchant and HLB Digital Business Solutions.



EMPOWERING SMALL AND MEDIUM ENTERPRISE GROWTH  
103-2, 103-3, FS13

**INNOVATIVE DIGITAL SOLUTIONS FOR SMES**

Innovating and adopting leading technologies are important for the competitiveness of firms of all sizes. All businesses need to adapt quickly to changing market conditions and consumer demands. To ease SMEs flexibility and help them transition to the world of digital technologies, HLB launched an SME-based online banking solution platform called HL ConnectFirst that uses technology to streamline businesses.

HL ConnectFirst is an advanced digital banking channel designed to cater for companies that can easily conduct their own banking and business management services including account management, payables, receivables, liquidity management, trade, treasury management, e-investment and e-procurement.

The HLB LaunchPad Program was launched in June 2017. The program identifies high potential technology start-ups for HLB to collaborate with. Applications were open to all SMEs in the ASEAN region to identify a broader set of start-ups. HLB LaunchPad focuses on startups in these three pillars: Simplifying Banking Today, Digitising Customer Journey and Experience; and Re-Imagining Banking for Tomorrow. Start-ups were required to showcase their ability to solve an HLB challenge or value-add by solving day-to-day problems faced by the banking industry and its customers.

Participants gained first-hand experience and exposure benefitted from the program

marketing, expertise of our Senior Management team, gained insights into business and infrastructure development within the Bank and received training from design thinking experts. HLB LaunchPad enabled the start-ups to access cutting-edge technologies and provided them with the opportunity to validate their products in the market.

HLB LaunchPad also renewed our collaboration with Malaysia's official trade association and governing body for angel investors, the Malaysian Business Angel Network ("MBAN"). MBAN aims to put forward the agenda of Angel Investing in an all-inclusive manner for the benefit of members, the Angel ecosystem and start-ups. HLB is the exclusive banking sector sponsor of this initiative. As part of our partnership, HLB hosts MBAN's start-up pitch sessions, which are conducted every three months, to allow HLB's employees an opportunity to be exposed to the start-up landscape.

In June 2018, HLB introduced a comprehensive suite of Digital Business Solutions Services that offer five business tools to empower SMEs. These are HL ConnectFirst Lite - a light version of the HL ConnectFirst Online Banking Platform specifically for SMEs; Biztory - an e-accounting and invoice solution; 'Kakitangan.com' - an e-HR and payroll system; SimpleTax - an online tax advisory tool; and Digital Advertising - an outdoor digital advertising and promotion, across 3,500 screens nationwide. These tools are specially selected as they are not industry specific and are suitable for a wide range of SMEs. The objective of offering the above solutions at almost no cost to HLB's SME customer is to allow the SMEs to focus on growing their core businesses.

SME business owners may lack the technical know-how to help their businesses weather economic cycles, therefore HLB strives to provide SMEs with financial support and opportunities through holistic banking solutions, financial advisory and digital solutions. HLB recognises the substantial contribution SMEs make to the growth and development of the Malaysian economy and we are committed to empowering SMEs through our products and initiatives.

**SERVING THE UNDER-SERVED**

Conscious of the need to make financial services available to under-served segments of society, we have set up branches and self-service terminals in low-populated as well as economically disadvantaged areas. The low-populated areas are defined by the Economic Planning Unit ("EPU") based on the gross domestic product ("GDP") per capita per state in 2016.

Small and Medium Enterprise ("SME") Centres	2017	2018
Total number of points of access available in low-populated or economically disadvantaged areas	-	35
Total number of points of access	-	150
% of points of access in low-populated or economically disadvantaged areas	-	23%





# GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE" - CORE

102-55

GRI STANDARD		DISCLOSURE DESCRIPTION	PAGE NUMBER/ OMISSIONS
<b>GRI 101: Foundation 2016</b>			
<b>GENERAL DISCLOSURE</b>			
<b>ORGANISATIONAL PROFILE</b>			
GRI 102: GENERAL DISCLOSURES 2016	102-1	Name of the organisation	12
	102-2	Primary brands, products, and services	16
	102-3	Location of the organisation's headquarters	12, 14, 17
	102-4	Number of countries where the organisation operates and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	12
	102-5	Nature of ownership and legal form	12
	102-6	Markets served	14, 15
	102-7	Scale of the organisation	12
	102-8	Breakdown of workforce	18
	102-9	Describe the organisation's supply chain	16
	102-10	Report any significant changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain	16
	102-11	Addressing the precautionary principle or approach	12
	102-12	External charters, principles or initiatives endorsed	19, 20
	102-13	Membership of associations and advocacy organisations	19, 20
<b>STRATEGY</b>			
GRI 102: GENERAL DISCLOSURES 2016	102-14	Chairman and Group Managing Director/CEO's statement	6 - 11
	102-15	Key impacts, risks, and opportunities	25 - 27
<b>ETHICS AND INTEGRITY</b>			
GRI 102: GENERAL DISCLOSURES 2016	102-16	A description of the organisation's values, principles, standards, and norms of behavior	13
	102-17	Mechanisms for advice and concerns about ethics	61 - 63



GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE" - CORE  
102-55

GRI STANDARD	DISCLOSURE DESCRIPTION	PAGE NUMBER/OMISSIONS	
<b>GRI 102: Foundation 2016</b>			
<b>GOVERNANCE</b>			
GRI 102: GENERAL DISCLOSURES 2016	102-18	Governance structure	24, 27
	102-19	Delegating authority	24
	102-26	Role of highest governance body in setting purpose, values, and strategy	24
	102-30	Effectiveness of risk management processes	26, 27
	102-31	Review of economic, environmental, and social topics	25
	102-32	Highest governance body's role in sustainability reporting	24
	102-33	Communicating critical concerns	26, 27
	102-37	a) How stakeholders' views are sought and taken into account regarding remuneration.  b) If applicable, the results of votes on remuneration policies and proposals.	<b>a. Stakeholders (remuneration committee and board) views are sought on a regular basis to determine appropriate levels of remuneration to commensurate with performance and level of seniority and accountabilities; ensuring risk taking behaviors are minimized.</b>  <b>b. Only minutes of remuneration and board meetings are available.</b>
<b>STAKEHOLDER ENGAGEMENT</b>			
GRI 102: GENERAL DISCLOSURES 2016	102-40	List of stakeholder groups engaged by the organisation	32, 33
	102-41	Percentage of total employees covered by collective bargaining agreements	<b>22.03% of total employees covered by collective bargaining agreements</b>
	102-42	Basis for identification and selection of stakeholders	31
	102-43	Approach to stakeholder engagement	32, 33
	102-44	Response to key topics and concerns raised	34 - 36





GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE" - CORE  
102-55

GRI STANDARD		DISCLOSURE DESCRIPTION	PAGE NUMBER/ OMISSIONS
<b>GRI 102: Foundation 2016</b>			
<b>REPORTING PRACTICE</b>			
GRI 102: GENERAL DISCLOSURES 2016	102-45	Report coverage of entities included in the consolidated financial statements	2, 25
	102-46	Process for defining the report content and topic boundaries	25
	102-47	Material topics identified	25
	102-48	The effect of any restatements of information provided in previous reports	2
	102-49	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	25, 28, 29
	102-50	Reporting period	2
	102-51	Date of most recent previous report	2
	102-52	Reporting cycle	2
	102-53	Contact point for questions regarding the report	2
	102-54	Claims of reporting in accordance with the GRI Standards	2
	102-55	GRI content index	85 - 92
	102-56	External assurance	2, 93 - 96
<b>MATERIAL TOPIC: DIGITAL INNOVATION</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28, 29
	103-2	The management approach and its components	38 - 52
	103-3	Evaluation of the management approach Number of digital customers: 65,152 Number of non-digital customers: 59,630	38 - 52

GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE" - CORE  
102-55

GRI STANDARD	DISCLOSURE DESCRIPTION	PAGE NUMBER/OMISSIONS	
<b>GRI 102: Foundation 2016</b>			
<b>MATERIAL TOPIC: ETHICS, INTEGRITY AND COMPLIANCE</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	61 - 63
	103-2	The management approach and its components	<p><b>Capital Adequacy</b></p> <p>We strictly adhere to Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework (Basel II – Risk Weighted Assets), which were issued on 2 February 2018. The Capital Adequacy Framework (Capital Components) requires all Malaysian banks to have a minimum common equity of Tier 1 ("CET1") capital ratio of 4.5%, or Tier 1 capital ratio of 6.0%, and a total capital ratio of 8.0%.</p> <p>We aim to progressively increase our capital conservation buffer based on a percentage of total risk weighted assets – from 0.63% in 2016 to 1.25% in 2017, 1.88% in 2018, and 2.50% in 2019. As at 30 June 2018, HLB's CET1, Tier 1 and total capital ratio, after proposed dividends, emerged at 12.61%, 13.30% and 16.25% respectively – exceeding regulatory requirements.</p> <p><b>Liquidity</b></p> <p>We comply with BNM's Basel III requirements to Liquidity Coverage Ratio ("LCR"). All financial institutions in Malaysia were to have a minimum LCR of 60% by 1 June 2015, and to increase it by 10% yearly to reach a minimum of 100% from 1 January 2019. As at 30 June 2018, HLB's LCR is at 126%.</p> <p>We also meet BNM's Basel III Observation Period Reporting of a minimum 100% Net Stable Funding Ratio ("NSFR") and minimum 3% Leverage Ratio ("LR").</p>
	103-3	Evaluation of the management approach	61 - 63





GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE" - CORE  
102-55

GRI STANDARD		DISCLOSURE DESCRIPTION	PAGE NUMBER/OMISSIONS
<b>Material Topics</b>			
<b>GRI 100 Economic</b>			
<b>MATERIAL TOPIC: ETHICS, INTEGRITY AND COMPLIANCE</b>			
GRI 205: ANTI-CORRUPTION	205-2	Operations assessed for risks related to corruption	63
	205-3	Confirmed incidents of corruption and actions taken	<b>We found no material incidents of corruption in the financial year 2018</b>
<b>MATERIAL TOPIC: COMMUNITY BANKING</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28 - 29
	103-2	The management approach and its components	70 - 75, 83 and 84
	103-3	Evaluation of the management approach	70 - 75, 83 and 84
GRI 202: MARKET PRESENCE	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	<b>The ratio is 1:1, HLB does not practice discrimination or segmentation of entry wage levels. Wages are determined by labour supply-demand, competencies, and job scope</b>
GRI G4 SECTOR DISCLOSURES	FS13	Access points in low-populated or economically disadvantaged areas by type	72, 84
<b>MATERIAL TOPIC: CUSTOMER EXPERIENCE</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	46
	103-3	Evaluation of the management approach	46
GRI 102: GENERAL DISCLOSURES 2016	Non GRI Indicator	Results of surveys measuring customer satisfaction	46

GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE" - CORE  
102-55

GRI STANDARD		DISCLOSURE DESCRIPTION	PAGE NUMBER/ OMISSIONS
<b>Material Topics</b>			
<b>GRI 300 Environmental</b>			
<b>MATERIAL TOPIC: ENVIRONMENTAL FOOTPRINT</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	29, 68
	103-2	The management approach and its components	66 - 67
	103-3	Evaluation of the management approach	66 - 67
GRI 301: MATERIALS 2016	301-1	Materials used by weight or volume	67
	301-2	Recycled input materials used	67
GRI 302: ENERGY 2016	302-1	Energy consumption within the organisation	68
	302-4	Reduction of energy consumption	68
GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	68
	305-2	Energy indirect (Scope 2) GHG emissions	68
	305-5	Reduction of GHG emissions	68
<b>MATERIAL TOPIC: SUPPLIER ASSESSMENT</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	29
	103-2	The management approach and its components	70
	103-3	Evaluation of the management approach	70
<b>MATERIAL TOPIC: EMPLOYEE EXPERIENCE</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28, 54
	103-2	The management approach and its components	54 - 64
	103-3	Evaluation of the management approach	54 - 64





GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE"-CORE  
102-55

GRI STANDARD		DISCLOSURE DESCRIPTION	PAGE NUMBER/OMISSIONS
<b>Material Topics</b>			
<b>GRI 400 Social</b>			
<b>MATERIAL TOPIC: EMPLOYEE EXPERIENCE</b>			
GRI 401: EMPLOYMENT 2016	401-1	New employee hires and employee turnover	18
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	60
<b>MATERIAL TOPIC: CYBER SECURITY AND DATA PRIVACY</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	52
	103-3	Evaluation of the management approach	52
GRI 418: CUSTOMER PRIVACY 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	52
<b>MATERIAL TOPIC: FAIR BANKING</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	71
	103-3	Evaluation of the management approach	71
GRI 417: MARKETING AND LABELLING 2016	417-2	Incidents of non-compliance concerning product and service information and labelling	<b>In FY18, there were no material incidents of non-compliance concerning our products and service information and labelling.</b>
	417-3	Incidents of non-compliance concerning marketing communications	

GRI STANDARD CONTENT INDEX FOR "IN ACCORDANCE"-CORE  
102-55

GRI STANDARD		DISCLOSURE DESCRIPTION	PAGE NUMBER/ OMISSIONS
<b>Material Topics</b>			
<b>GRI 400 Social</b>			
<b>MATERIAL TOPIC: EMPLOYEE EXPERIENCE</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	28
	103-2	The management approach and its components	54 - 64
	103-3	Evaluation of the management approach	54 - 64
<b>MATERIAL TOPIC: RESPONSIBLE LENDING</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	29
	103-2	The management approach and its components	70
	103-3	Evaluation of the management approach	70
GRI G4 SECTOR DISCLOSURES	G4-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	70
	G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	70
<b>MATERIAL TOPIC: SUPPLIER ASSESSMENT</b>			
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	29
	103-2	The management approach and its components	70
	103-3	Evaluation of the management approach	70
GRI 408: CHILD LABOUR 2016	408-1	Operations and suppliers at significant risk for incidents of child labour	70



# SIRIM ASSURANCE CERTIFICATION

102-56

**SIRIM QAS INTERNATIONAL SDN. BHD.** (410334-X)

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## INDEPENDENT ASSURANCE STATEMENT

### Scope and Objective

SIRIM QAS International Sdn. Bhd., a third party Conformity Assessment Body in Malaysia, with extensive expertise and experience in the provision of sustainability-related assurance services, was engaged by Hong Leong Bank Berhad (hereafter referred to as Hong Leong Bank) to perform an independent verification and provide assurance of the Hong Leong Bank Sustainability Report 2018. The main objective of the verification process is to provide assurance to Hong Leong Bank and its stakeholders of the accuracy and reliability of the information presented in this report. This was confirmed through checking and verifying claims made in the report. The verification audit by SIRIM QAS International covered all sustainability-related activities which had been included in the Hong Leong Bank Sustainability Report 2018.

The management of Hong Leong Bank was responsible for the preparation of the Sustainability Report. The objectivity and impartiality of this verification statement is assured as no member of the verification team and no other employee of SIRIM QAS International was involved in the preparation of any part of the Hong Leong Bank Sustainability Report 2018.

### Verification team

The verification team from SIRIM QAS International consisted of:

- 1) Ms. Aernida Abdul Kadir : Team Leader
- 2) Mr. Shaiful Azmir A. Rahman : Team Member



ISO/IEC 17021-1:2015 QS 02121989 CB 01  
ISO/IEC 17021-1:2015 EMS 17120902 CB 02  
ISO/IEC 17098:2012 FC 08152004 CB 01  
ISO/IEC 17021-1:2015 OHS 08122006 CB 01  
ISO/IEC 17021-1:2015 PACCP 09020208 CB 03  
ISO/IEC 22003:2013 FMS 2152009 CB 01  
MS ISO/IEC 17021:2011 FMC 19122009 CB 02  
MS ISO/IEC 27006:2011 ISMS 17022011 CB 01  
ISO/IEC 17021-1:2015 ISMS 03012014 CB 01  
ISO/IEC 17021-1:2015 ISO/MS 30020215 CB 04  
ISO/IEC 17021-1:2015 GMP 08102015 CB 04  
ISO/IEC 17021-1:2015 MS/PS 28022017 CB 05  
ISO/IEC 17024:2012 PS 08032017 CB 03



MS ISO/IEC 17025  
CALIBRATION/TESTING  
SAMM NO 085 SAMM NO 086  
SAMM NO 087 SAMM NO 219  
SAMM NO 735 SAMM NO 240  
SAMM NO 734 SAMM NO 377



MS ISO/IEC 17020  
MIBAS NO. 003



074



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SIRIM ASSURANCE CERTIFICATION  
102-56

**Methodology**

The verification process was carried out by SIRIM QAS International in August 2018. It involved the following activities:

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

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

The verification process was subjected to the following limitations:

- The scope of work did not involve verification of information reported in the Hong Leong Bank Annual Report 2018;
- The verification was designed to provide limited assurance of whether the Sustainability Report is presented fairly, in all material aspects, and in accordance with the reporting criteria. It was not intended to provide assurance of the organization's ability to achieve its objectives, targets or expectations on sustainability-related issues;
- Only the corporate offices; Hong Leong Tower at Jalan Damaniela, Bukit Damansara and Wisma Hong Leong at Jalan Perak, Kuala Lumpur were visited as part of this assurance engagement. The verification process did not include physical inspections of any of Hong Leong Bank's operating assets;
- The verification team did not review any contractor or third party data.



## SIRIM ASSURANCE CERTIFICATION

102-56

**Observations**

This is the 1<sup>st</sup> assurance activity carried out by SIRIM QAS for Hong Leong Bank and it was established that Hong Leong Bank has good data management system. Noted that the Sustainability Report 2018 reporting boundary was limited to Malaysia operations only. As for the GHG emissions, Hong Leong Bank has included Scope 1 – Direct Emission; from fuel consumption in all centres and branches in Malaysia while for Scope 2 – Indirect Emission; it covered the electricity consumption by Hong Leong Tower and PJCITY building. The verification was carried out in accordance with the requirements of ISO 14064-3:2006. It can be confirmed that the calculation Scope 1 and 2 emissions had been comprehensive and the values accurately determined for the defined period. Based on reviewed information, the following was verified:

Greenhouse gas emissions (kgCO <sub>2</sub> e)	
Scope 1	Scope 2
218,961	9,911,886

SIRIM ASSURANCE CERTIFICATION  
102-56

**Conclusion**

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

- The level of accuracy of data included in the Hong Leong Bank Sustainability Report 2018 is fair and acceptable;
- The Sustainability Report was prepared in accordance with the GRI Standards: Core Option. The overall report content and quality were well established. The level of sustainability performance information in the report was found to be acceptable;
- The information has been presented in an appropriate manner;
- Most of the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data contained in the report;
- Hong Leong Bank has satisfactorily addressed, in the final version of the report, all issues that had been raised during the verification audit;
- The report provides a reasonable and balanced presentation of the sustainability performance of Hong Leong Bank.

Prepared by:



**AERNIDA ABDUL KADIR**

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

Date : 30 August 2018

Approved by:



**NOR AFIZA BINTI SAIM**

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

Date : 30 August 2018







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