

HLB SUSTAINABILITY BRIEFING

16 June 2021

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AGENDA

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Our Approach

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Key Milestones

3

Strategic Initiatives

a) BCB ESG Policy

c) Managing GHG Emission

b) Developer End Financing

d) Procurement ESG Policy

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Sustainability Ratings

Sustainability at Hong Leong Bank

Our Approach

5 Sustainability Themes

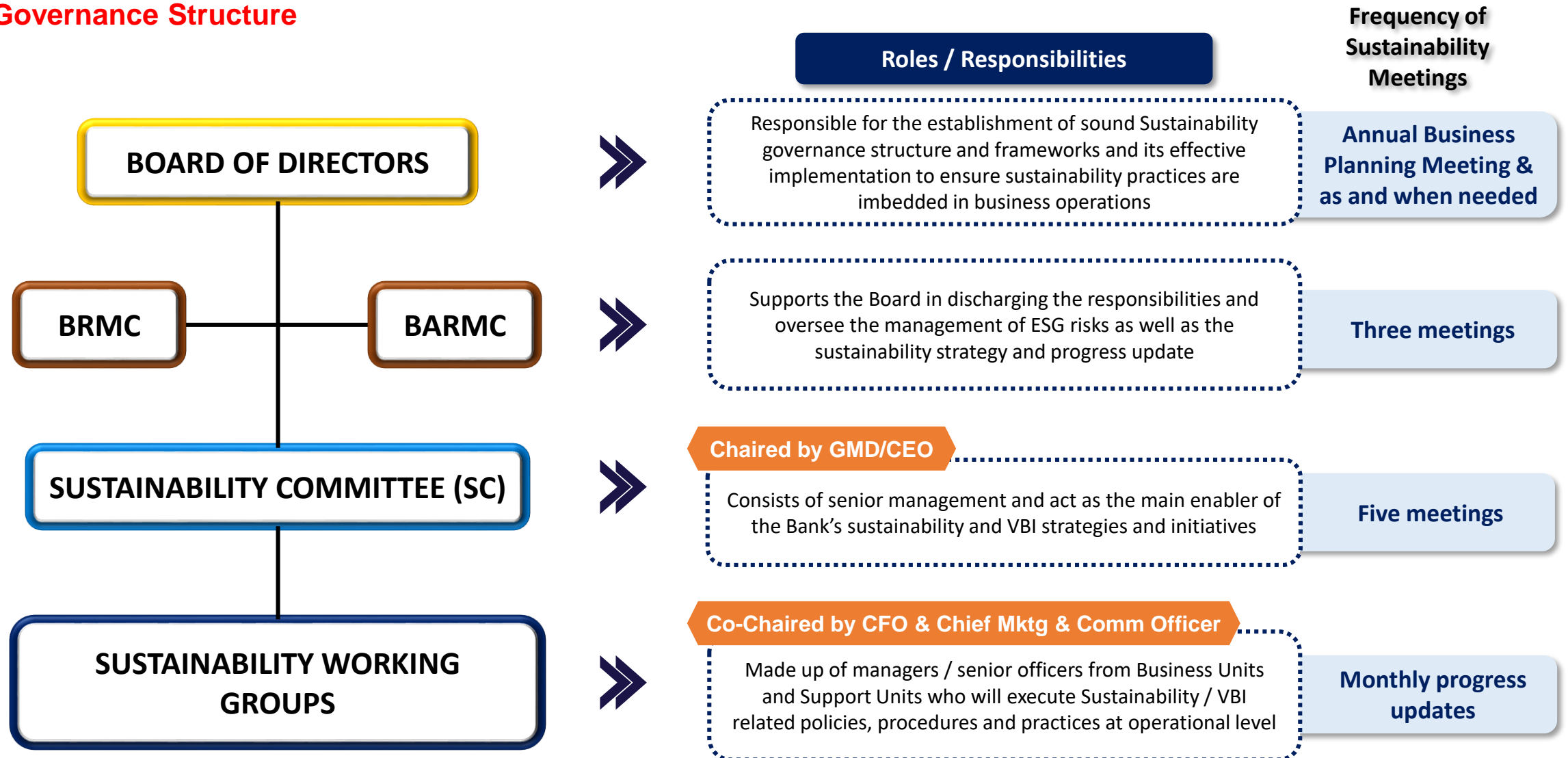


16 Material Topics



Sustainability at Hong Leong Bank

Governance Structure

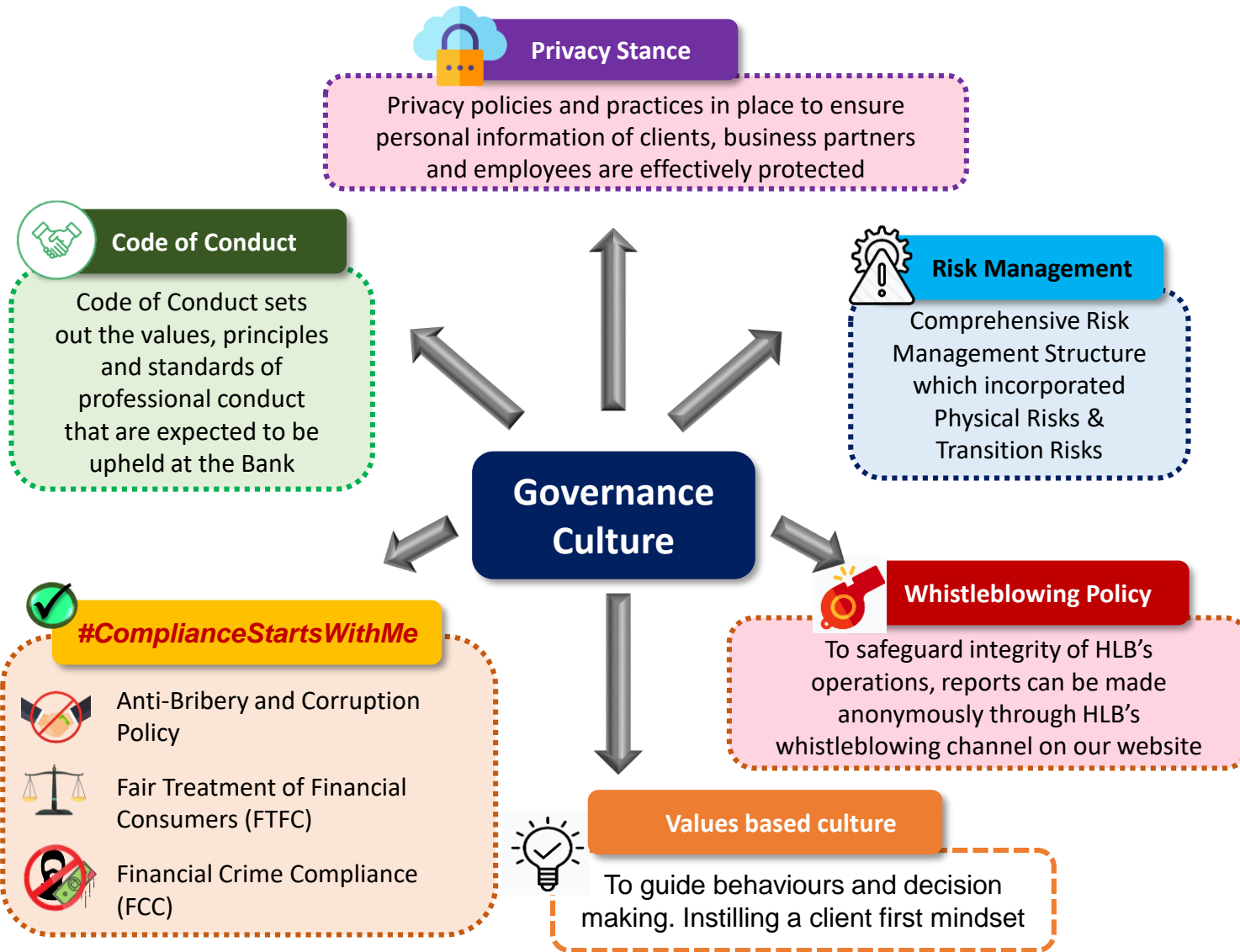


Strong Governance culture imbedded in HLB



Corporate Governance

- Firm commitment towards sustainability through board oversight
- Female representation on the Board is >30% (3 out of 8 directors)
- 7 board meetings were held in FY2020 with 100% Board meeting attendance
- Directors are encouraged to attend HLB's in-house training programs to enhance their skills and knowledge
- More than half of the Board consists of independent directors (5 out of 8 directors), who adheres to max nine years term limit to be 'classified' as independent.
- All board committees are chaired by independent directors while key committees such as Risk, Board Audit Committee and IT have only independent directors on the committee.
- Board of Directors comprises of directors who have relevant industry expertise to provide substantive oversight.
- Two long serving directors who know the business well.



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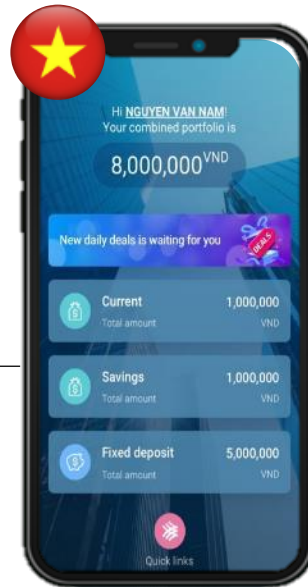
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Sustainability Ratings

Hong Leong Bank Sustainability Roadmap



4 Social Enterprises

- The Asli Co. and SURI (empowering women)
- Green Hero and Coffee For Good (empowering youth)



Feb-20



WorkDay

mobile-first access to a secure network for HR related function

May-20



BNM Special Relief Facility Funds

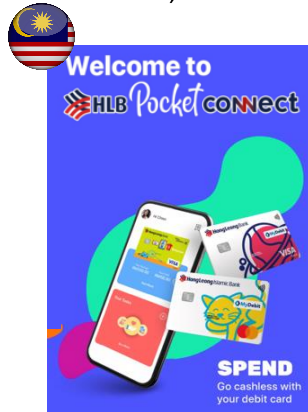
Fast tracks credit approval for SMEs via digital means / approved RM1.3b BNM Special Relief Facility Funds

Aug-20

1st

Launch of HLB Pocket Connect

First in market Digital Banking Platform for Young Digital Natives to earn, save and spend



Sep-20

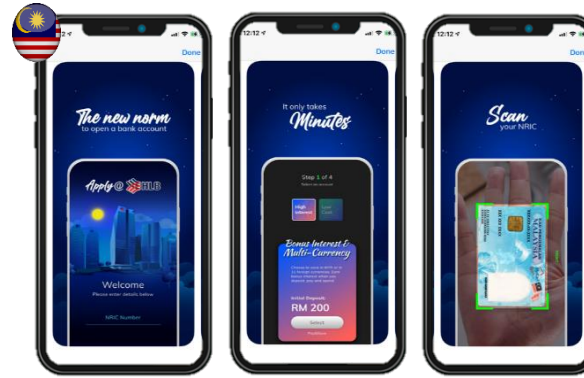


BCB ESG Framework

Provides ESG guidance for financing activities for BCB borrowing customers (covered in later slides)

Oct-20

1st



First E2E digital onboarding for CASA in Malaysia (eKYC)

Excellence in Leadership in Asia

One of the top 6 banks in Asia and only Bank from Malaysia recognized



EARTHHERO

combine financial and environmental literacy for children on a digital banking platform - plant trees on behalf of children / learn about the environment in a fun way



Green Developer Framework

Provides ESG guidance for financing activities for property development companies (covered in later slides)

Dec-20



Sustainable Procurement Policy

Provides ESG guidelines for vendors/suppliers (covered in later slides)

Jan-21



New AML system SIRON

Digitises monitoring processes for clients' Due Diligence and Financial Crime Compliance controls .



Feb-21



Sustainable Roundtable

BCB has engaged industries on best practices in discussion of sustainability transformation



SME Solar Financing:

Green energy financing facility specially developed for Malaysian SMEs

PlusVibes:

Mobile-enabled platform for employees to reach out for mental health related issues / discussion topics



COVID-19 Support

HLB's Community Donation:

- Donated RM 1mil to MERCY Malaysia
- HLISB gave out Zakat contributions of RM10,000 pledged to upgrade medical facilities & provide food packs worth RM10,000 during the COVID-19 outbreak.

HLB offers up to Six-Month Loan and Financing Deferment and Financing to Flood Victims



First e-commerce store offering sign-up for banking products and services on Shopee



HLB LaunchPad

Platform to nurture Malaysian technology and FinTech start-ups to tackle social problems & promote entrepreneurship



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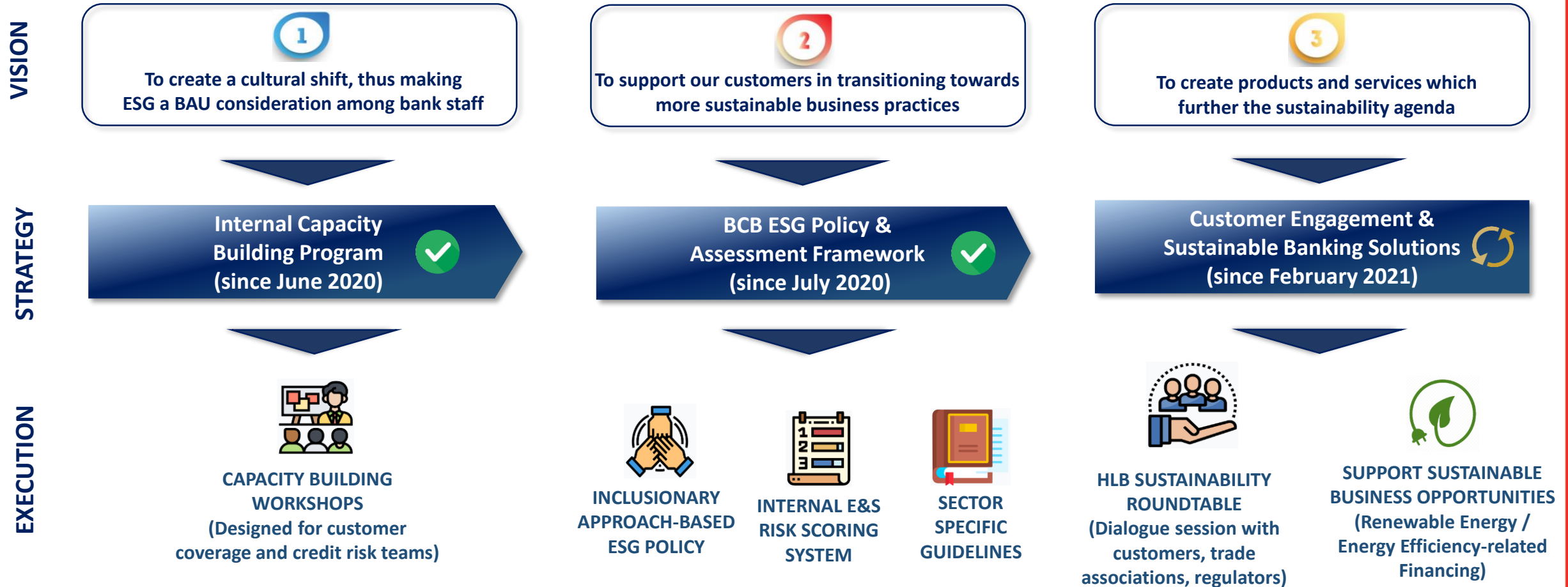
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Sustainability Ratings

Business & Corporate Banking's Approach to ESG

- Assessing and managing ESG risks is a key business priority and an important component of our broader risk management framework.
- Our Business & Corporate Banking (BCB) ESG Policy and Assessment Framework has been developed to align with the Group's Sustainability Pillar: Socially Responsible Business based on an underlying inclusionary philosophy.



Internal Capacity Building Program

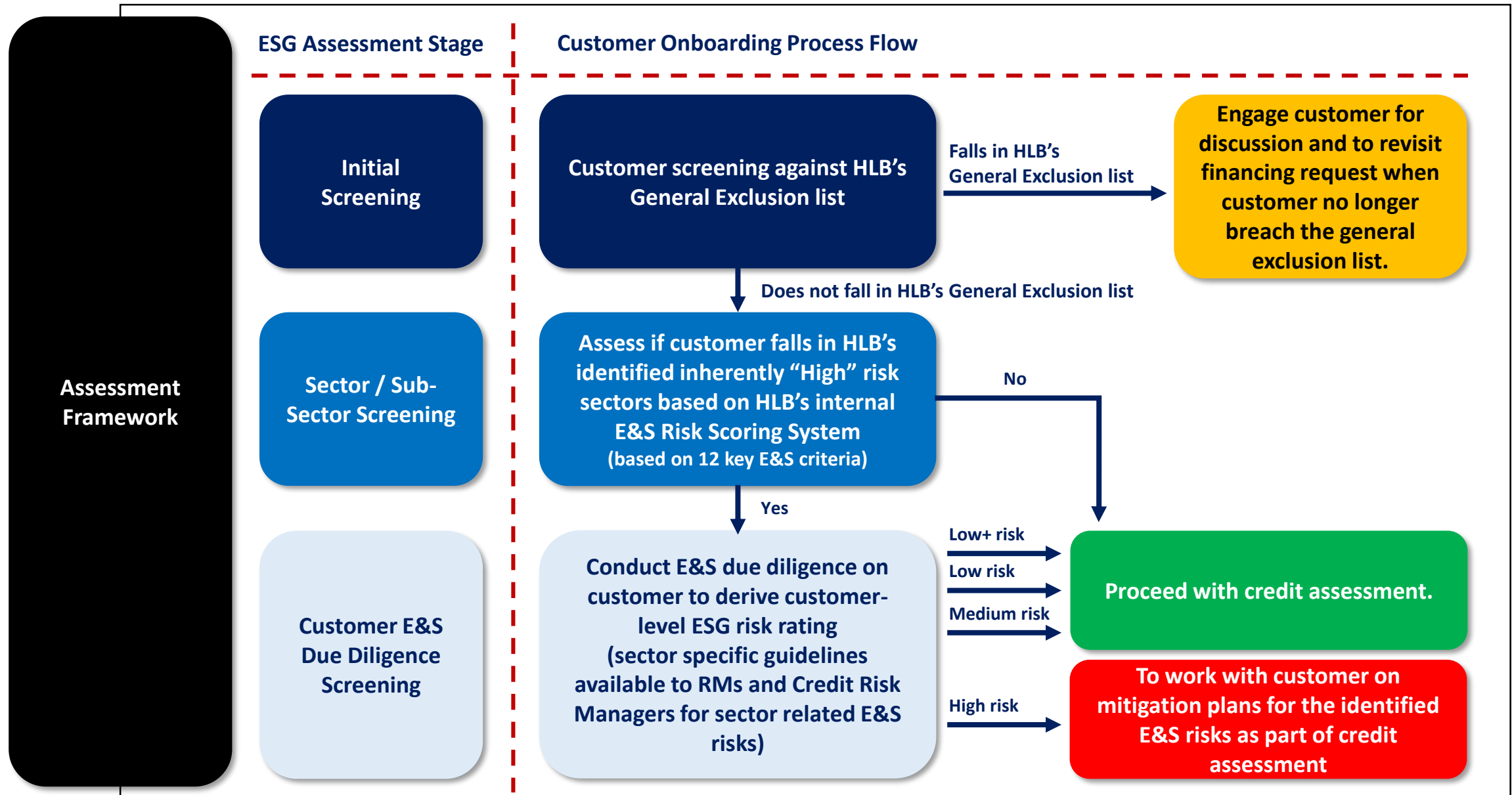


From left: Hong Leong Bank officials: Chief marketing & communication officer Zalman Zainal; managing director – business & corporate Banking Yow Kuan Tuck; chief financial officer Malkit Singh Maan and group MD and CEO Domenic Fuda. Accompanied by Sunway University and Sunway Education CEO Dr Elizabeth Lee; deputy director of Jeffery Sachs Center on Sustainable Development, Sunway University Prof Leong Choon Heng, Sunway University’s Prof Agamutu Pariatambu and research fellow, Jeffery Sachs Center on Sustainable Development Dr. Chen Jit Ern.

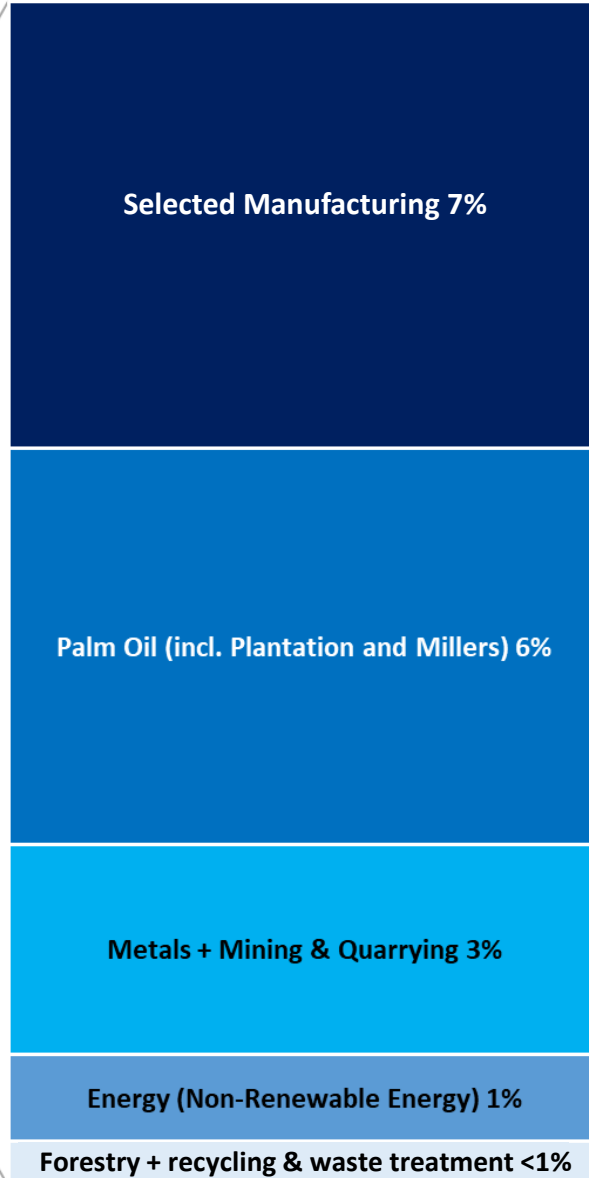
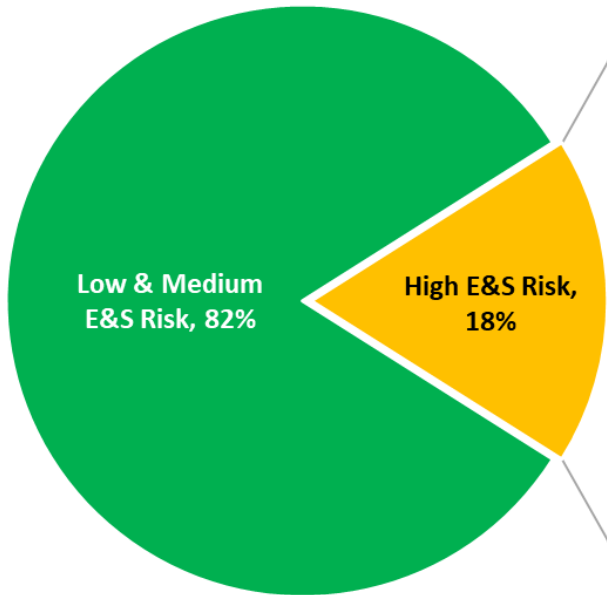


Certification of completion from Jeffrey Sachs Center on Sustainable Development, Sunway University were awarded to the participants who have completed the training.

- BCB worked closely with the **Jeffery Sachs Center on Sustainable Development at Sunway University** to develop and roll-out a robust training module for customer coverage and credit risk teams, aligning with BCB’s ESG Credit Framework.
- Topics covered in the training include, climate change, E&S themes such as waste management, examples of incorporating sustainable practices in a company and a walk-through of BCB’s ESG Credit Framework & customer assessment process.
- 12 capacity building sessions were conducted from June 2020 to October 2020, covering approx. 400 BCB frontliners and credit risk managers.
- Participants who completed the training were given a certificate of completion.



Based on our initial sector screening in Dec.20, we have identified 18% of our portfolio to be from the high E&S risk sectors.



E&S Due Diligence Conducted

- Customer-level E&S due diligence screening commenced Jan.21
- To date, we have completed screening for circa 20% from the identified high E&S risk population.
- Screening results have indicated that at least half of the high E&S risk customers are eligible to be transitioned to medium or low risk rating based on the engagement and evidence provided in mitigating their respective sector E&S risks.

Rating	Criteria	%
High	Maintain risk rating, no visible / nascent E&S practices	46%
Med	Moderate E&S practices in operations (e.g. visible internal company policies addressing key E&S risks)	33%
Low / Low+	Advanced, possessing either visible internationally / domestically recognized certification or E&S practices	21%

BCB ESG Customer Engagement Programme

Stakeholder Engagement Program - HLB Sustainability Roundtable

3rd February 2021 Plastic Manufacturing

Three significant characteristics shape the Malaysian context:

- High-value recyclable packaging already separated from household waste to a very relevant extent and transferred to recycling systems. This applies especially to rigid HDPE, PP and PET. Extrusion is largely informal and the subsequent value chain is based on a functioning market.
- Malaysia's recycling capacities are sufficient for above-mentioned, locally generated, high-value recyclables. However, a huge number of recyclers and aggregators import and process imported recyclables occupying large capacities. There is no fully traceable documentation of the imported material.
- Low value and non-recyclables are mostly disposed of and collected together. There is no systematic separate collection and recycling of the low-value recyclables.

Topics discussed include:-

- Plastics industry's approach to sustainability and the roadmap towards zero single-use plastics by 2030
- Recent developments on circular economy for plastics in Malaysia
- Corporate experience and its journey in adopting sustainability within their business operations and supply chain

9th June 2021 Renewable Energy (Solar Energy)

Topics discussed include:-

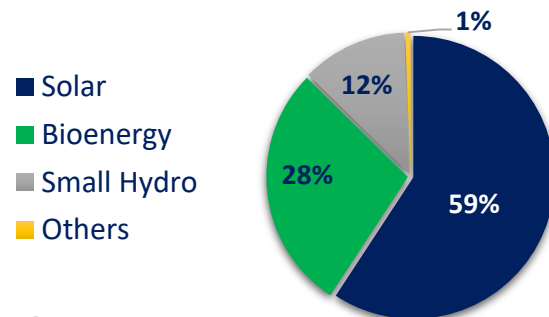
- National policies to promote adoption of RE (especially in the adoption of solar PV) in the Commercial and Industrial sectors
- Available incentives to support green investments for corporates and businesses
- Corporate experience and its journey in adopting solar as a cost efficiency and sustainability pillar

Upcoming Roundtables (Aug.21 to Dec.21)

- Palm Oil Sector (planters / millers)
- Renewable Energy (Biogas Energy)
- Manufacturing (Chemicals / chemical related products)

Sustainable Banking Solutions

Total Approved Renewable Energy (RE) Financing Limits circa RM 1.0bil at Mar. 21



HLB SME Solar Financing Program



- Financing up to 100% of investment cost or up to RM1 million
- Offered in partnership with 7 established Solar Service Providers

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Sustainability Ratings

PFS ESG Policy

Incorporate ESG principles into lending policy to guide financing activities for Property Development Companies

‘Green’ Development Assessment Flow

1 Score development projects according to HLB’s internal ESG Rating Criteria

Lightbulb icon: BNM’s ESG guiding principles is embedded within PFS ESG policy



BNM’s Guiding Principle (GPs)

BANK NEGARA MALAYSIA



PFS ESG Policy

HLB internal ESG Rating Criteria



Energy & Water Efficiency



Social Responsibilities



Environmental Quality



Innovation/Green Initiatives



Environmental Protection



Carbon emission of Projects

2 Development projects’ score achieved will determine the classification of developers

HLB Internal ESG Rating

Building

Township

≥12

≥14

Low Risk

≤11

≤13

Medium Risk

Prohibited Activities

Prohibited Activities

High Risk

3 Perform sustainability due diligence based on classification of development projects

Approval Path

Checkmark icon: Eligible for fast track EF credit assessment and approval; better financing packages

Next action

- Work together with developer to action gaps to improve scoring
- Continue to engage with developers to ensure ongoing ESG commitments

Next action

- Proceed with EF credit assessment upon mitigation plans agreed upon
- MCC’s approval required

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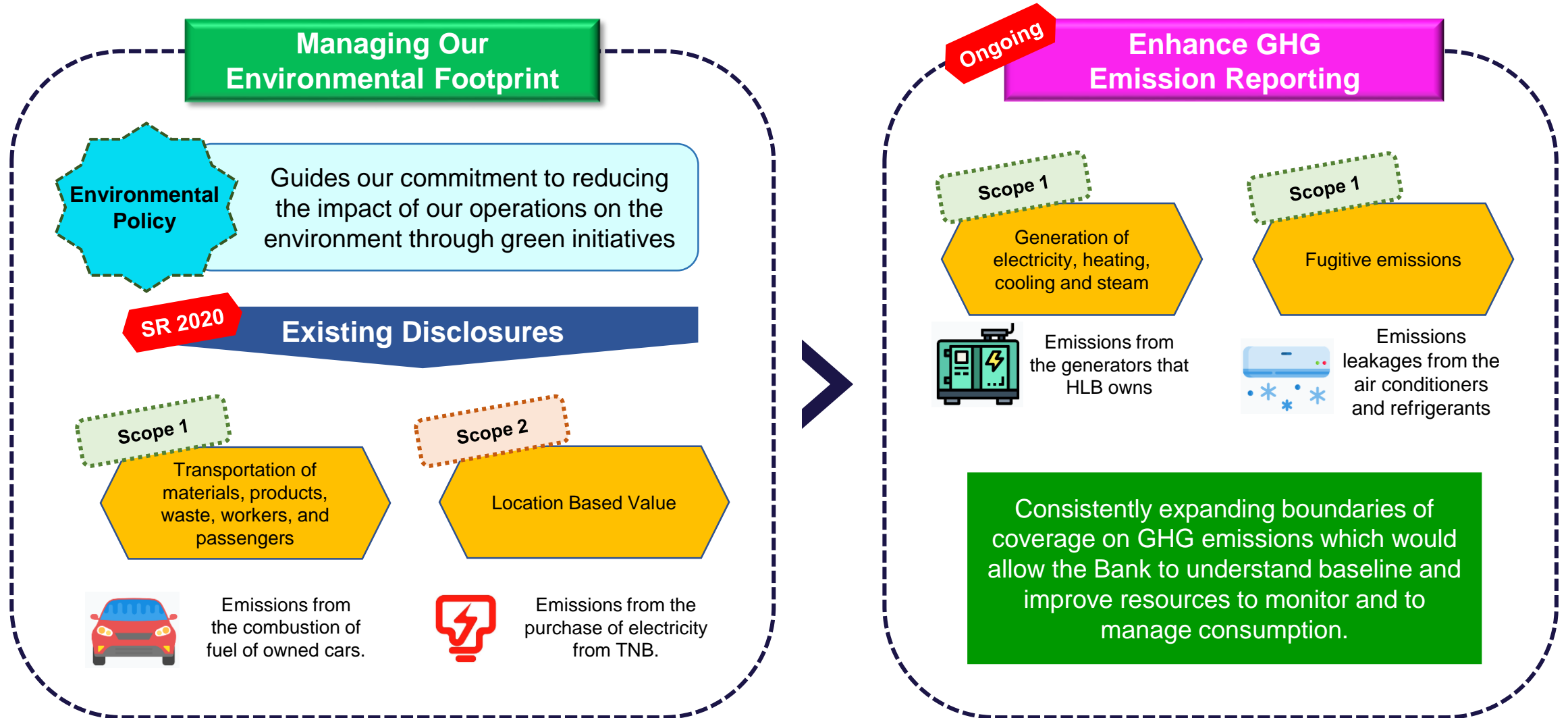
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Sustainability Ratings

Reporting and Managing HLB's Environmental Footprint

Refinement in our GHG emissions disclosures with planned GHG reduction initiatives



HLB's Carbon Neutral Journey

Doing our part to reduce and offset our carbon emissions

1

Carbon Reduction Initiatives

PJ City Tower A ("PJCA")



- ❖ Proposed Retrofitting of AHU Centrifugal Fan + Motor with High Efficiency Type
- ❖ Installation of 150kWp Solar Photovoltaic System on Rooftop
- ❖ Adding on a High Efficiency Magnetic Chiller and Chilled Water Pumps



Hong Leong Tower ("HLT")



- ❖ Installation of Auto Condenser Tube Cleaning System
- ❖ Upgrading of Chiller Starter System to Variable Speed Drive (VSD)
- ❖ Relocation of thermostats to breathing zone

Next Action

Exploring Energy Efficiency & Conservation (EE&C) measures for all owned branches

2

Carbon Offset Initiatives



Currently exploring tree plantation initiatives to offset the Bank's GHG emission

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Procurement ESG Policy

Incorporating sustainability in procuring and delivering goods and services



HLB website URL:

<https://www.hlb.com.my/content/dam/hlb/my/docs/pdf/About-Us/procurement/hlb-sustainability-in-procurement.pdf>

- ❖ Developing a fair, sustainable, responsible and ethical approach to procuring and delivering goods and services
- ❖ Transforming business relationships with suppliers which prioritise sustainable practices

Key Principles



Human Rights in the Workplace



Environmental Management



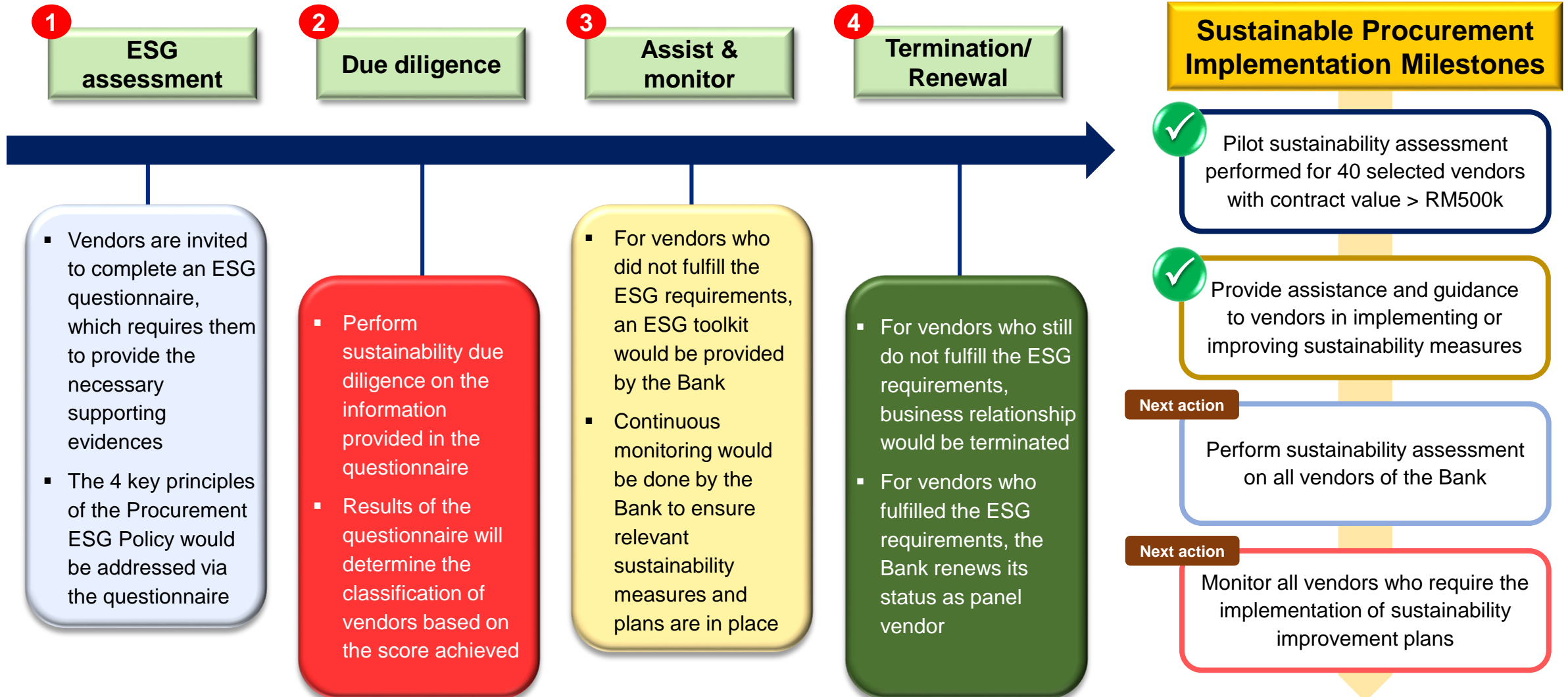
Occupational Health & Safety



Ethical Business Practices

Procurement ESG Policy – Sustainable Assessment

Encourage and assist vendors to implement sustainable practices



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Sustainability Ratings

Global ESG Indices and Assessments

Peer benchmarking and adoption of leading practices to be in the same class of the best banks globally



- ❖ One of the few banking constituents in FTSE Bursa KLCI
- ❖ Top 25% by ESG ratings amongst public listed companies assessed under FTSE Russell
- ❖ Completed the 2021 ESG assessment with **expected improvements in ESG rating**



HLB score

Industry avg.


Sustainable Banking Assessment (“SUSBA”)

Improved ESG score in 2020 and positioned above industry average

Adopting global ESG considerations



- ❖ Assessed internally by RAMS and was **rated ‘Gold’ in overall ESG aspects**
- ❖ Committed to sustainability via organisational readiness and positive contribution to social and environment
- ❖ Strong corporate governance and innovative employee training



- ❖ Annual evaluation of the world’s largest companies – **HLB is invited to participate**
- ❖ Approx. 1,000 data points to derive overall ESG score
- ❖ First time active participation in the 2021 assessment

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