

# Corporate Governance Overview, Risk Management & Internal Control Statement



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



Finance Committee on Corporate Governance

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

The CG Report 2023 of the Bank in relation to this statement is published on the Bank’s website, [www.hlb.com.my](http://www.hlb.com.my) (“the Bank’s Website”).

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

## SECTION A. ROLES AND RESPONSIBILITIES OF THE BOARD

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

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Bank’s Website. The Board Charter was last reviewed by the Board in July 2023. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Group’s businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director/Chief Executive Officer (“GMD/CEO”) who is assisted by the management team. The GMD/CEO and his management team are accountable to the Board for the performance of the Bank. In addition, the Board has established

Board Committees which operate within clearly defined TOR primarily to support the Board in the execution of its duties and responsibilities.

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

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

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

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION A. ROLES AND RESPONSIBILITIES OF THE BOARD (CONTINUED)

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Bank for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Bank and tracking compliance and business progress.

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

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

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia (“CCM”) and Hong Leong Bank Group Code of Conduct & Ethics, which have been adopted by the Board and published on the Bank’s Website. Details of the Hong Leong Bank Group Code of Conduct & Ethics are set out in Section F of this Statement.

### SECTION B. BOARD COMPOSITION

The Board currently comprises eight (8) Directors. The eight (8) Directors are made up of seven (7) Non-Executive Directors, of whom five (5) are independent. The profiles of the members of the Board are set out in this Annual Report.

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

The Bank has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider

appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has eight (8) Directors, of whom three (3) are women Directors. The Board will continue to maintain women participation on the Board in line with the MCCG.

Based on the review of the Board composition in July 2023, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group’s strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

### SECTION C. BOARD COMMITTEES

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

#### (A) BAC

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

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

#### (B) BRMC

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

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

#### (C) NC

The NC was established on 17 June 2003. The composition of the NC is as follows:

- Ms Lau Souk Huan (Chairman)
- Mr Tan Kong Khoon
- YBhg Datuk Manharlal A/L Ratilal  
(Appointed as NC member with effect from 15 September 2023)

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

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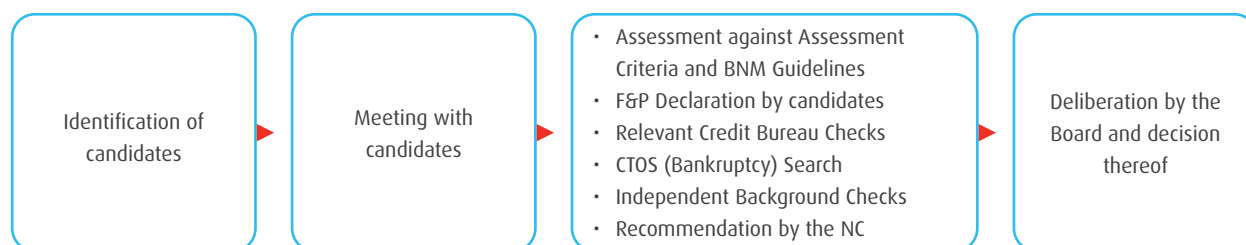
### SECTION C. BOARD COMMITTEES (CONTINUED)

#### (C) NC (CONTINUED)

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

#### (i) New Appointments

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

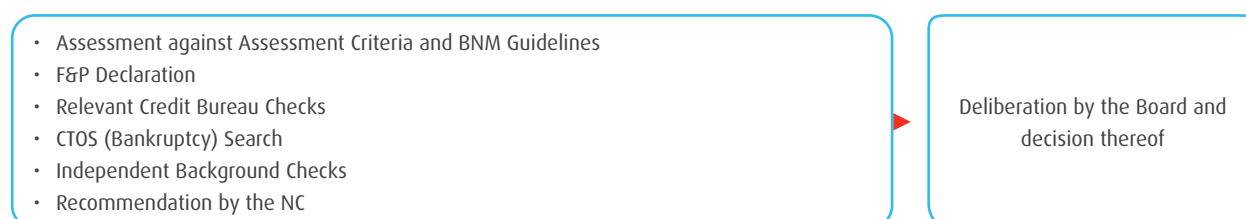


In assessing the candidates for Board appointments, the NC will take into account, inter alia, the strategic and effective fit of the candidates for the Board, the overall desired composition and required mix of expertise and experience of the Board as a whole and having regard to the candidates’ attributes,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

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

#### (ii) Re-Appointments

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

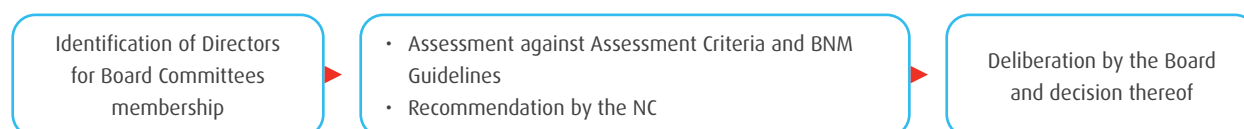


For re-appointments, the Chairman, Directors and GMD/CEO will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations and commitment, and for independent directors, their independence. The NC will also consider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

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**SECTION C. BOARD COMMITTEES (CONTINUED)****(C) NC (CONTINUED)****(iii) Board Committees Appointments**

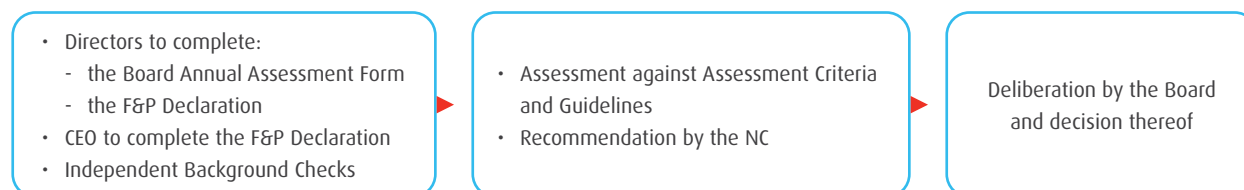
The nomination, assessment and approval process for appointments to Board Committees (“Board Committees Appointments”) is as follows:



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

**(iv) Annual F&P Assessment**

The annual F&P assessment process is as follows:



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

The NC will deliberate the results of the Annual Board Assessment and submit its recommendation to the Board for consideration and approval. For newly appointed Directors, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of 1 year of service.

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

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

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**SECTION C. BOARD COMMITTEES (CONTINUED)****(C) NC (CONTINUED)****(iv) Annual F&P Assessment (Continued)**

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

During the financial year ended 30 June 2023 ("FY2023"), three (3) NC meetings were held and the attendance of the NC members were as follows:

Member	Attendance
Ms Lau Souk Huan <sup>(1)</sup>	1/1
Mr Tan Kong Khoon	3/3
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah <sup>(2)</sup>	3/3
Ms Chok Kwee Bee <sup>(3)</sup>	2/2

<sup>(1)</sup> Appointed as NC Chairman with effect from 1 December 2022

<sup>(2)</sup> Retired as NC member with effect from 21 June 2023

<sup>(3)</sup> Retired as NC Chairman with effect from 1 December 2022

YBhg Datuk Manharlal A/L Ratilal was appointed as NC member after the close of the FY2023 and as such, did not attend any of the NC meetings held during the FY2023.

The NC carried out the following activities in the discharge of its duties in accordance with its TOR during the FY2023:

- Carried out the Annual Board Assessment and was satisfied that the Board as a whole, Board Committees and individual Directors have continued to effectively discharge their duties and responsibilities in accordance with their respective TORs, and that the current Board composition in terms of Board balance, size and mix of skills is appropriate and effective for the discharge of its functions. The NC took cognisance of the merits of Board diversity including women participation on the Board, in adding value to the Bank. The NC will continue to maintain women participation on the Board in line with the MCCG;
- Considered and assessed the position of Independent Directors of the Bank and was satisfied that the Independent Directors met the regulatory requirements for Independent Directors;

- Reviewed the F&P Declarations by Directors, GMD/CEO and Company Secretary in line with the BNM policy document on F&P Criteria and was satisfied that the Directors, GMD/CEO and Company Secretary met the requirements as set out in BNM policy document on F&P Criteria;
- Reviewed the term of office and performance of the BAC and each of its members in accordance with the TOR of BAC and was of the view that the BAC and each of its members had carried out their duties in accordance with the BAC TOR for the period under review;
- Reviewed the re-appointment of Directors in accordance with the F&P Policy, BNM CG Policy and MMLR, and recommended to the Board for consideration and approval;
- Reviewed the appointment of Directors and GMD/CEO in accordance with the F&P Policy, BNM CG Policy and MMLR, and recommended to the Board for consideration and approval;
- Considered the re-election of Directors who are due for retirement at the Annual General Meeting ("AGM") pursuant to the Constitution of the Bank;
- Assessed potential candidates to fill vacancy(ies) in the Board and Board Committees, and recommended to the Board for consideration and approval; and
- Considered the Board Policy on Succession Planning of the Board.

**(D) REMUNERATION COMMITTEE ("RC")**

The RC was established on 17 June 2003. The composition of the RC is as follows:

- YBhg Datuk Manharlal A/L Ratilal (Chairman)  
(Appointed as RC Chairman with effect from 15 September 2023)
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Cheong Soo Ching

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

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**SECTION C. BOARD COMMITTEES (CONTINUED)****(D) REMUNERATION COMMITTEE (“RC”) (CONTINUED)**

During the FY2023, two (2) RC meetings were held and the attendance of the RC members were as follows:

Member	Attendance
YBhg Datuk Dr Md Hamzah bin Md Kassim	2/2
Ms Cheong Soo Ching	2/2
YBhg Dato’ Nicholas John Lough @ Sharif Lough bin Abdullah <sup>(1)</sup>	2/2

<sup>(1)</sup> Retired as RC Chairman with effect from 21 June 2023

YBhg Datuk Manharlal A/L Ratilal was appointed as RC Chairman after the close of FY2023 and as such, did not attend any of the RC meetings held during the FY2023.

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

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

The RC, in assessing and reviewing the remuneration packages of Executive Directors, ensures that a strong link is maintained

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

The detailed remuneration of each Director during the FY2023 is as set out in Note 40 of the Audited Financial Statements in this Annual Report.

**Remuneration Philosophy & Framework**

Hong Leong Bank Group’s (HLBG) remuneration strategy supports and promotes a high performance culture to deliver the Bank’s Vision to be a highly digital & innovative ASEAN financial services company. It also forms a key part of our Employer Value Proposition with the aim to drive the right behaviours, create a workforce of strong values, high integrity, clear sense of responsibility and high ethical standards.

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

**Overview of Remuneration Policy Framework****A. Philosophy**

Remuneration philosophy hinges on:

- Our values and commitment to the employees of the Bank
- High performance culture
- Strong alignment between prudent risk taking and reward

**B. Principles**

Remuneration principles are based on 3 key principles:

- Oversight by Remuneration Committee & Board of Directors
- Prudent Risk Taking
- Governance Process for Bonus, Increment and Promotion (BIP)

**C. Practices**

Remuneration practices:

- Details how the remuneration principles will be achieved in practice
- Includes remuneration structures, design, implementation and workflow/procedures

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION C. BOARD COMMITTEES (CONTINUED)

#### (D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

##### Guiding Principles

##### **Principle 1 - Oversight by Remuneration Committee & Board of Directors**

The RC's responsibilities are to recommend to the Board, framework and policies that govern the remuneration of the Directors, Shariah Committee, Chief Executive Officer, senior management officers and other material risk takers. The RC ensures that the remuneration system is in line with the business and risk strategies, corporate values and long-term interests of the Bank and that it has a strong link between rewards and individual performance and is periodically benchmarked to market/industry. The Board must ensure that the CG disclosures on remuneration are accurate, clear, and presented in a manner that is easily understood by its shareholders, customers and other relevant stakeholders.

##### **Principle 2 — Prudent Risk Taking**

Remuneration for employees within the Bank must be aligned with prudent risk-taking. Hence, remuneration outcomes must be symmetric with risk outcomes. This includes ensuring that remuneration is adjusted to account for all types of risk, and must be determined by both quantitative measures and qualitative judgement.

##### **Principle 3 — Governance Process for Bonus, Increment and Promotion ("BIP")**

The Bank has established an end-to-end BIP process to ensure proper governance and sufficient control is in place. Provision for variable remuneration is tied to the performance of the Bank and the pool is allocated according to the performance of each business unit. To safeguard the independence and authority of individuals engaged in control functions, the Bank ensures that the remuneration of such individuals is based principally on the achievement of control functions objectives and determined in a manner that is independent from the business lines they oversee. No increment and bonus is accorded to an employee with performance rating 1 or 2 or if the employee has tendered his/her resignation. The Bank has the discretion to impose an employment bond on employees who have received salary adjustments outside of the BIP cycle.

##### Remuneration Practices

##### Measurement of Performance

The Bank's performance is determined in accordance with a balanced scorecard which includes key measures on profitability, cost, capital, shareholders' return, medium to long-term strategic initiatives, as well as risk, audit and compliance positions.

For each employee, performance is tracked through Key Result Areas (KRAs) in a balanced scorecard. It focuses on the achievement of key objectives which are aligned to value creation for our shareholders and multiple stakeholders. At the end of the year, performance of the employee is assessed through the performance management framework which is based on 70% of KRAs (with mandatory weightage for Compliance and Training) and 30% of HLB Values, which now includes a prompt under the Here For The Long Term value for employees to share their efforts in sustainability.

The Bank shall ensure the performance measure of the employee promotes the Bank's core values and desired conduct and behaviour to achieve Fair Treatment of Financial Consumers ("FTFC") and all relevant regulatory policies outcomes. Apart from quantitative targets, performance measures shall include qualitative criteria that closely reflect the delivery of FTFC and all relevant regulatory policies outcomes.

Every senior management officer has a responsibility to embed sustainability in all initiatives in their division. This is linked to performance considerations and in turn, total remuneration received.

##### Pay Mix Delivery and its Purpose

The overall Total Compensation for the GMD/CEO and members of the Senior Management team generally includes base pay, fixed cash allowances, performance-based variable pay, long term incentives, benefits and other employee programmes.

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

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

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**SECTION C. BOARD COMMITTEES (CONTINUED)****(D) REMUNERATION COMMITTEE (“RC”) (CONTINUED)****Remuneration Practices (continued)****Pay Mix Delivery and its Purpose (continued)**

## 2. Performance-based variable pay

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

## 3. Long term incentives

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

The clawback mechanism can be triggered when there are non-compliances to regulations and policies and where Management deemed necessary due to achievements of performance targets that are not sustainable. Clawbacks are typically (and not limited to) applied in the case of Gross Misconduct, Financial Misstatements, Material Risks and/or Malfeasance of Fraud.

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

## 4. Employee Benefits and Programmes

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

**Remuneration Disclosure**

The following depicts the total value of remuneration awarded to the Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2023:

## i) GMD/CEO

Name	Category	Cash (RM)	Shares (RM)	Total (RM)
Domenic Fuda <i>(Retired with effect from 30 June 2023)</i>	<b>Fixed remuneration</b>	2,641,200	-	<b>2,641,200</b>
	<b>Variable remuneration</b>			
	1. Non-deferred	22,460,625	-	<b>22,460,625</b>
	2. Deferred	-	2,553,741*	<b>2,553,741*</b>



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## SECTION C. BOARD COMMITTEES (CONTINUED)

## (D) REMUNERATION COMMITTEE ("RC") (CONTINUED)

## Remuneration Practices (continued)

The following depicts the total value of remuneration awarded to the Senior Management team (including GMD/CEO) and Material Risk Takers for the FY2023: (continued)

## ii) Senior Management

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2023 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2023 (RM)
<b>Fixed Remuneration</b>					
Cash-based	23	21,625,097	-	-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
<b>Variable Remuneration</b>					
Cash-based	23	12,939,728	1,635,805	2,315,525	1,363,006
Shares and share-linked instruments	20	-	1,537,393*	2,163,275*	3,542,201*
Other	-	-	-	-	-

Senior Management refers to management staff who have primary and significant responsibility for the management and performance of significant business activities of the Bank and any person who assumes primary or significant responsibility for key control functions of the Bank.

## iii) Material Risk Takers

	No. of officers received	Unrestricted (RM)	Deferred (RM)	Total amount of outstanding deferred remuneration as at 30.6.2023 (RM)	Total amount of outstanding deferred remuneration paid out/ share vested in FYE2023 (RM)
<b>Fixed Remuneration</b>					
Cash-based	14	9,028,048	-	-	-
Shares and share-linked instruments	-	-	-	-	-
Other	-	-	-	-	-
<b>Variable Remuneration</b>					
Cash-based	14	3,682,095	328,982	522,803	334,208
Shares and share-linked instruments	7	-	292,215*	458,596*	290,841*
Other	-	-	-	-	-

Other material risk takers refers to an officer who is not a member of Senior Management Officers of the Bank and who can materially commit or control significant amounts of the Bank's resources or whose action are likely to have a significant impact on the Bank's risk profile.

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

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**SECTION C. BOARD COMMITTEES (CONTINUED)****(E) BOARD INFORMATION AND TECHNOLOGY COMMITTEE (“BITC”)**

The BITC was established on 1 January 2020 to jointly support the Boards of Hong Leong Bank Berhad and Hong Leong Islamic Bank Berhad in discharging the following responsibilities:

1. Oversee technology and cyber security related matters.
2. Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
3. Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM’s policy document on Risk Management in Technology (“BNM RMiT Policy”).

The composition of the BITC is as follows:

- Puan Fa’izah binti Mohamed Amin (Chairman)  
*(Appointed as BITC Chairman with effect from 1 December 2022)*
- YBhg Datuk Dr Md Hamzah bin Md Kassim
- Ms Lau Souk Huan  
*(Resigned as BITC member with effect from 1 December 2022)*

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

During the FY2023, four (4) BITC meetings were held and the attendance of the BITC members was as follows:

Member	Attendance
Puan Fa’izah binti Mohamed Amin <sup>(1)</sup>	2/2
YBhg Datuk Dr Md Hamzah bin Md Kassim	4/4
Ms Lau Souk Huan	4/4
Ms Cheong Soo Ching <sup>(2)</sup>	2/2

<sup>(1)</sup> Appointed as BITC Chairman with effect from 1 December 2022

<sup>(2)</sup> Resigned as BITC member with effect from 1 December 2022

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2023:

- Reviewed the IT Strategy and monitored the progress against management plan;
- Reviewed the IT Capital Budget and updates;
- Reviewed the Group’s adoption of emerging technologies, including the adoption status and corresponding capabilities;
- Deliberated on the digital disruption, IT innovation and ongoing development in digital trends in the financial services industry, and assessed impact, if any on the digital strategy of the Group;
- Reviewed the cyber security strategy/framework and progress update of the information security roadmap;
- Reviewed the progress update of key IT Projects;
- Reviewed the production incidents and trends;
- Reviewed the cyber security events and incidents;
- Reviewed the progress update of the information security enhancement plan;
- Reviewed the management of technology obsolescence risk;
- Reviewed the state of compliance and progress updates on action items in relation to the BNM RMiT Policy;
- Reviewed and assessed IT-related policies/ guidelines;
- Reviewed the risk assessment on IT outsourcing and insourcing arrangements of the Group;
- Reviewed the audit findings identified by the Group Internal Audit Division and the External Auditors on IT-related matters and monitored the resolutions and action items in relation thereto;
- Reviewed the Business Continuity Management of the Group, including critical system downtime and disaster recovery plans;
- Reviewed the critical patch development activities for critical IT infrastructure;
- Reviewed the status of the compromise assessment initiative and results on Compromise Assessment on the Bank’s IT infrastructure;
- Reviewed the Risk Appetite Statement of Technology Risk for the FY2022/2023;

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION C. BOARD COMMITTEES (CONTINUED)

#### (E) BITC (CONTINUED)

The BITC carried out the following activities in discharge of its duties in accordance with its TOR during the FY2023: (continued)

- Reviewed the assessment results on Performance Review of Critical Technology Service Providers;
- Assessed BNM Thematic Review 2022 against the Bank's position; and
- Reviewed the Bank's planned initiatives in alignment with BNM Financial Sector Blueprint 2022-2026.

### SECTION D. INDEPENDENCE

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

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

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

### SECTION E. COMMITMENT

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors

provide notifications to the Board for acceptance of any new Board appointments. This ensures that their commitment, resources and time are focused on the affairs of the Bank to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

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

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

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

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION E. COMMITMENT (CONTINUED)

The Board met eight (8) times for the FY2023 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Director	Attendance
YBhg Tan Sri Quek Leng Chan	8/8
Mr Tan Kong Khoon	8/8
Mr Kwek Leng Hai	8/8
YBhg Datuk Dr Md Hamzah bin Md Kassim	8/8
Ms Lau Souk Huan	8/8
Ms Cheong Soo Ching	8/8
Puan Fa'izah binti Mohamed Amin <sup>(1)</sup>	7/7
Ms Chok Kwee Bee <sup>(2)</sup>	4/4
YBhg Dato' Nicholas John Lough @ Sharif Lough bin Abdullah <sup>(3)</sup>	7/7

<sup>(1)</sup> Appointed as Director with effect from 1 September 2022

<sup>(2)</sup> Retired as Director with effect from 1 December 2022

<sup>(3)</sup> Retired as Director with effect from 21 June 2023

YBhg Manharlal A/L Ratilal was appointed to the Board after the close of the FY2023 and as such, did not attend any of the Board meetings held during the FY2023.

The Bank recognises the importance of continuous professional development and training for its Directors.

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

All Directors of the Bank have completed the Mandatory Accreditation Programme ("MAP") Part I. In line with the recent amendments to MMLR in relation to sustainability training for Directors, the Directors of the Bank will complete the MAP Part II within the prescribed timeframe.

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

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

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

During the FY2023, the Directors received regular briefings and updates on the Bank's businesses, strategies, operations, risk management and compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Bank.

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

During the FY2023, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) - Global Islamic Finance Forum 2022
- Asia School of Business (ASB) - Leadership for Enterprise Sustainability Asia (LESA) 2023
- Baker McKenzie - The Crypto Ecosystem
- Baker McKenzie - Integrating crypto into established financial services – Funds and listings
- Baker McKenzie - A Deep Dive into NFTs
- Bank of Singapore - The Geopolitics Turmoil and its Impact on Family Offices with George Yeo, Former Singapore Minister of Foreign Affairs and Chairman of Kerry Logistics - Geopolitics - is the worst yet to come?
- BNM - Engagement Session for BNM Annual Report 2022, Economic & Monetary Review 2022, and Financial Stability Review Second Half 2022

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION E. COMMITMENT (CONTINUED)

During the FY2023, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including: (continued)

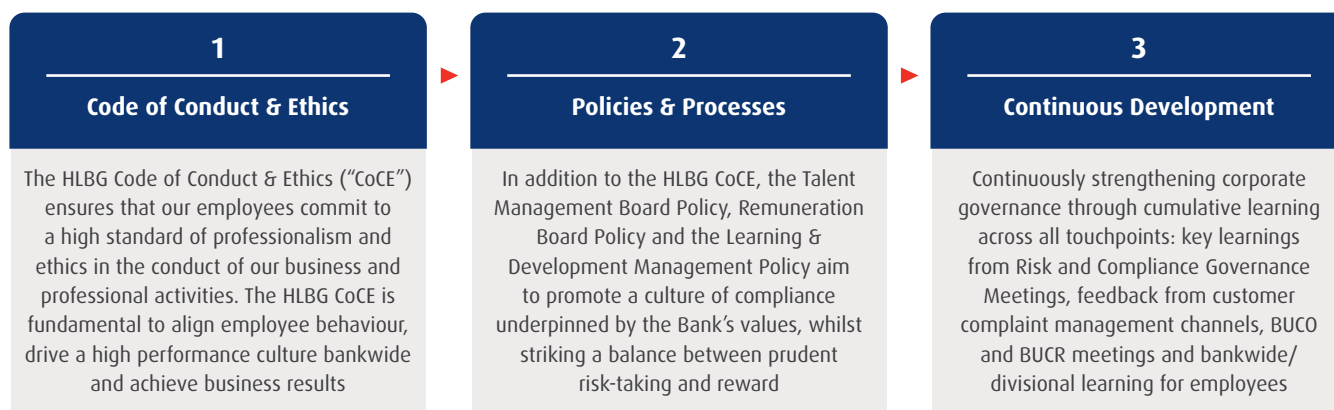
- Bursa Malaysia - Presentation of PLC Transformation Guidebook 2 and sharing session by panellists covering their initiatives and viewpoints in embodying sustainability
- CERT - Kuala Lumpur Islamic Finance Forum (KLIFF) 2022 Muzakarah Penasihat Syariah Kewangan Islam Ke-15
- Emnes Events - 2nd Annual Islamic FinTech Leaders Summit
- FIDE Forum - Board Effectiveness Evaluation - Post-launch Workshop
- FIDE Forum - The Emerging Trends Threats and Risks to the Financial Services Industry: Managing Global Risk Investment and Payment System
- FIDE Forum - FIDE Forum Business Lunch Engagement
- FIDE Forum - Can America Stop China's Rise? Will ASEAN Be Damaged?
- HLB - The Heightened Legal & Regulatory Expectations on Sanctions
- HLB - Corporate Liability Provision on Corruption under the MACC Act 2009
- HLB - Environmental, Social and Governance Briefing
- HLCB - Anti-Money Laundering/Counter Financing of Terrorism & Targeted Financial Sanctions: Prevention, Detection & Collaboration in Fronting Compliance
- HLFG - Presentation on Insurtech by JP Morgan Securities Asia Pte Ltd
- HLFG - Briefing on Environmental, Social and Governance by PricewaterhouseCoopers PLT
- ICDM - Bursa Malaysia Mandatory Accreditation Programme (MAP)
- ICDM - International Directors Summit 2022: The B Factor - [Bold + Brave] Boards
- ICLIF - The Financial Institutions Directors' Education (FIDE) Core Programme
- ICLIF - Building the Islamic Finance Industry's Future: Creating Role Model Economies, Inclusive Institutions and Impact-Driven Investment
- ICLIF - Values as a Source of Competitive Advantage
- ICLIF - Corporate Governance & Remuneration Practices For The ESG World
- ICLIF - Risk Management Committee – Banking Sector
- ISRA - Islamic Finance for Board of Directors Programme
- PIDM-FIDE Forum - PIDM Industry Forum 2022: Recovery and Resolution Planning for Banks
- SC - Audit Oversight Board Conversation with Audit Committees: How the Audit Committees and Auditors can work together towards reliable audited financial statements
- Singapore Institute of Directors - Listed Entity Director Programme (LED): Environmental, Social and Governance Essentials (Core)

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE

#### OUR APPROACH TO CORPORATE GOVERNANCE

Nurturing a strong corporate governance culture encompasses not only the policies or processes that we already have in place but also training that is practical and based on everyday scenarios that can be applied in an employee's work. Our approach to corporate governance includes the following:



#### Code of Conduct & Ethics

Employees are guided by HLB Group's values, which seek to ensure that everything we do is sustainable and adds value to the communities we operate in (*Here For The Long Term*); we treat people with respect and seek win-win solutions for all parties (*Collaborate To Win*); we take ownership and make things happen (*Decisiveness*). At the same time, employees are encouraged to embrace change and not be afraid to do things differently (*Innovation*) and celebrate new learning opportunities (*Have Fun*).

The Bank's values, together with the seven principles stated in the HLBG CoCE, is fundamental to align employee behaviour, drive a high performance culture bankwide and achieve business results.

Specifically, in upholding the value of 'Here for the Long Term', the HLB Group commits to a high standard of professionalism and ethics in the conduct of our business and professional activities as set out in the HLBG CoCE.

The HLBG CoCE is applicable to:

- ▶ All employees who work in the HLB Group across the jurisdictions in which we operate – including but not limited to permanent, part-time and temporary employees;
- ▶ Board of Directors of the HLB Group; and
- ▶ Any other persons permitted to perform duties or functions within the HLB Group – including but not limited to contractors, secondees, interns, industrial attachment and agency staff.

As the HLBG CoCE forms part of the terms and conditions of employment, our employees are required to adhere to a high standard of professionalism and ethics in the conduct of their business, professional activities and personal lives, which might otherwise reflect poorly on the reputation of the HLB Group.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

#### OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

##### Code of Conduct & Ethic (continued)

##### Principles

There are seven key pillars to the HLBG CoCE:

#### Principle 1 Competence

The HLB Group is committed to ensuring that its employees develop and maintain the relevant knowledge, skills and behaviour to ensure that our activities are conducted professionally and proficiently.

Our employees must possess and maintain the skills and knowledge needed to perform their roles in accordance with the standards required by the HLB Group to meet its legal, compliance and regulatory obligations.

#### Principle 2 Compliance

The HLB Group operates in a highly regulated environment and our employees are responsible to ensure that they fully understand and comply with all applicable laws, regulations and regulatory requirements.

#### Principle 3 Integrity

The HLB Group's Vision, Mission and Values identifies a strong values-based culture to guide decisions, actions and interactions with stakeholders as a key enabler for the success of the HLB Group. The HLB Group relies on our employees to practice sound decision-making with integrity and take actions that will preserve our HLB Group's values.

#### Principle 4 Fairness

A core mission of the HLB Group is to help our clients succeed through simple, relevant, personal and fair banking. We must act responsibly and be fair and transparent in our business practices, including treating our colleagues, customers and business partners with respect. We must consider the impact of our decisions and actions on all stakeholders.

#### Principle 5 Confidentiality

The HLB Group is committed to providing a safe, reliable and secured banking environment and experience for our customers.

#### Principle 6 Objectivity

Employees must not allow any conflict of interest, bias or undue influence of others to override their business and professional judgment. Employees must not be influenced by friendships or association in performing their role.

Employees are to exercise good judgment at all times and avoid any actions that would create an actual, perceived, or potential conflict of interest.

#### Principle 7 Work Environment

The HLB Group is committed to provide a safe and non-violent working environment and will remove any unacceptable behaviours from the workplace. The HLB Group will not tolerate any form of discrimination, harassment (including sexual harassment) or intimidation.

In addition, the HLB Group is committed to reduce the effect of our operations on the environment so that we are able to build our franchise in a safe and healthy environment. We aim to do this by managing the resources we use across the HLB Group and raising staff awareness about the importance of caring for the environment.

The HLB Group will be mindful of its activities with employees, business partners and the community we operate within to ensure human rights are safeguarded. Where there are adverse impacts, we are committed to addressing these.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION F. STRENGTHENING CORPORATE GOVERNANCE CULTURE (CONTINUED)

#### OUR APPROACH TO CORPORATE GOVERNANCE (CONTINUED)

##### Policies & Processes

In addition to the HLBG CoCE, the Talent Management Board Policy, Remuneration Board Policy and the Learning & Development Management Policy aim to promote a culture of compliance underpinned by the Bank's values, whilst striking a balance between prudent risk-taking and reward. The policies are designed to create and cultivate a highly engaged workforce, focused on delivering strategic goals. This highly engaged workforce is expected to maintain high standards of responsibility, professional conduct and behaviour, and are able to be role models to other employees and industry peers.

Policy Name	Purpose
<b>HLBG Code of Conduct &amp; Ethics</b>	The HLBG CoCE ensures that our employees commit to a high standard of professionalism and ethics in the conduct of our business and professional activities. All employees are required to attest to the CoCE on an annual basis.
<b>Talent Management Board Policy</b>	The Talent Management Policy aims to set out our talent management strategy in recruiting, developing, retaining talent and succession planning to support and drive the execution of the business strategy with the ambition to build an organization that builds talent to cater for our needs from within.
<b>Learning &amp; Development Management Policy</b>	The Learning & Development ("L&D") Policy sets out principles that will govern the Bank's L&D strategy and execution plans. The aim is to cultivate a highly engaged workforce, focused on delivering strategic goals, maintain high standards of responsibility, professional conduct and behaviour, and are role models to other employees and industry peers.
<b>Remuneration Board Policy</b>	The Remuneration Policy aims to maintain a competitive remuneration strategy, enabling us to attract and retain talent and at the same time balance risk and performance outcomes, with an eye on prudent risk-taking.
<b>Whistleblowing Policy</b>	The Bank's Whistleblowing Policy provides a structured channel for all employees of the HLB Group and any other persons providing services to, or having a business relationship with the HLB Group, to report genuine concerns about any improper conducts or wrongful acts committed within the HLB Group. The Whistleblowing Policy is published on the Bank's Website.

##### Continuous Development

The Bank's efforts to continuously strengthen corporate governance is the result of cumulative efforts across every touchpoint. Key learnings from each Risk and Compliance Governance Committee (RCGC) meeting is summarized and circulated to all attendees, BUCRs (Business Unit Compliance Representative), BUCOs (Business Unit Compliance Officer) and respective business units to act upon. BUCOs meet with the L&D team in Human Resources on a monthly basis to review and request for any ad hoc compliance training requirements. Our online and offline customer touchpoints (on social media and via the feedback form on our website and via our branches and contact centre respectively) also serve to provide feedback directly. On learning, each division is responsible for their own content creation of key topics for their divisions, in addition to the compliance topics and videos available on Workday for huddles and the quarterly Mandatory eLearning. The seven pillars of the HLBG CoCE, consists of Competence, Compliance, Integrity, Fairness, Confidentiality, Objectivity and Work Environment, provide further guidance to our people and we ensure that we have the necessary development interventions to support each pillar.

### SECTION G. ACCOUNTABILITY AND AUDIT

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

#### I. FINANCIAL REPORTING

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

#### II. RISK MANAGEMENT AND INTERNAL CONTROL

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



## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION G. ACCOUNTABILITY AND AUDIT (CONTINUED)

#### II. RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

The BRMC is delegated with the responsibility to provide oversight on the Bank's management of critical risks that the Group faces while the BAC is delegated with the responsibility to review the effectiveness of internal controls implemented in the Bank.

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

#### III. RELATIONSHIP WITH AUDITORS

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

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

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

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

The external auditors meet with the BAC members at least twice a year without the presence of Executive Directors and management.

### SECTION H. DISCLOSURE

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

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

### SECTION I. SHAREHOLDERS

#### I. DIALOGUE BETWEEN COMPANIES AND INVESTORS

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

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

Shareholders can access the Bank's Website for information such as the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. The minutes of the AGM are published on the Bank's Website.

The Board has identified Ms Lau Souk Huan, the Chairman of the BAC, as the Independent Non-Executive Director of the Board to whom concerns may be conveyed, and who would bring the same to the attention of the Board.

In addition, shareholders and investors can have a channel of communication with the following persons to direct queries and provide feedback to the Group:

GENERAL MANAGER, COMMUNICATION & CSR

Tel No. : 03-2081 8888 ext. 61914

Fax No. : 03-2081 7801

E-mail address: [capr@hongleong.com.my](mailto:capr@hongleong.com.my)

HEAD, CORPORATE FINANCE & INVESTOR RELATIONS

Tel No. : 03-2081 2972

Fax No. : 03-2081 8924

E-mail address: [IR@hlbb.hongleong.com.my](mailto:IR@hlbb.hongleong.com.my)

#### II. AGM

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

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION I. SHAREHOLDERS (CONTINUED)

#### II. AGM (CONTINUED)

8 out of 9 Directors of the Bank and the GMD/CEO attended the last AGM held on 27 October 2022 to engage with shareholders and address issues of concern raised by the shareholders.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at the AGM held on 27 October 2022 were put to a vote by way of a poll and the voting results were announced at the meetings and through Bursa. The Bank had adopted electronic voting for the conduct of poll on all resolutions at the AGM and provided e-lodgement channel for shareholders to lodge form of proxy electronically to the Bank.

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

#### I. INTRODUCTION

The Board recognises that the practice of good governance is an important mandate. The Board has established the BAC and the BRMC to ensure that the Bank maintains a sound system of internal controls and good risk management practices that foster good governance. The processes for assessments of risks and controls are regularly reviewed in accordance with the guidelines on the 'Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers'.

#### II. BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility for the risk management and internal control environment and its effectiveness in safeguarding shareholders' interests and the Bank's assets. The risk management and internal control framework is designed to manage rather than to eliminate the risk of failure in the achievement of goals and objectives of the Bank, and therefore only provide reasonable assurance and not absolute assurance, against material misstatement or loss.

The system of risk management and internal control instituted throughout the Bank is updated periodically to align with the dynamic changes in the business environment as well as any

process improvement initiatives undertaken. The Board confirms that its Management team responsibly implements the Board policies, Management policies and standard operating procedures ("SOP") on risk management and internal control.

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The organisational structure of the Bank clearly defines the lines of accountability and responsibility. On-going risk assessment and evaluation are an integral part of the Bank's strategic planning cycle and are responsive to the business environment and opportunities. Management committees are appropriately set up to ensure proper utilisation and investment of the Bank's assets for effective risk return rewards or to limit losses. The Group Risk Management ("GRM") and Group Compliance ("GC") divisions have implemented an enterprise-wide risk management framework to inculcate continuous risk and regulatory compliance awareness, and the understanding of procedures and controls, thus improving the overall control environment.

Operationally, the Bank establishes multiple lines of defence to effect a robust control framework. At the first level, the operating business and support units are responsible for the day-to-day management of risks inherent in the various business activities. Regulatory compliance and operational risk units are set up in the various lines of business and in support departments. They oversee the day-to-day compliance to policies, regulatory requirements, business and process controls. At the second level, GRM is responsible for setting the risk management framework, reviewing portfolio risks, and developing tools and methodologies for the identification, measurement, monitoring, and control of risks; whereas GC is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended. At the third level, the Group Internal Audit division complements GRM and GC by monitoring and evaluating the effectiveness of internal control systems. It also provides an independent perspective and assessment on the adequacy and effectiveness of the risk management and compliance policies, process, governance and systems. The above is depicted in the following diagram:



# Corporate Governance Overview, Risk Management & Internal Control Statement

## SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

#### (a) Risk Management

Managing risks is an integral part of the Bank’s overall business strategy. It involves a process of identifying, assessing and managing risks and uncertainties that could inhibit the Bank’s ability to achieve its strategy and strategic objectives.

Risk governance oversight 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.

The Bank’s risk management framework incorporates the components depicted in the diagram below:

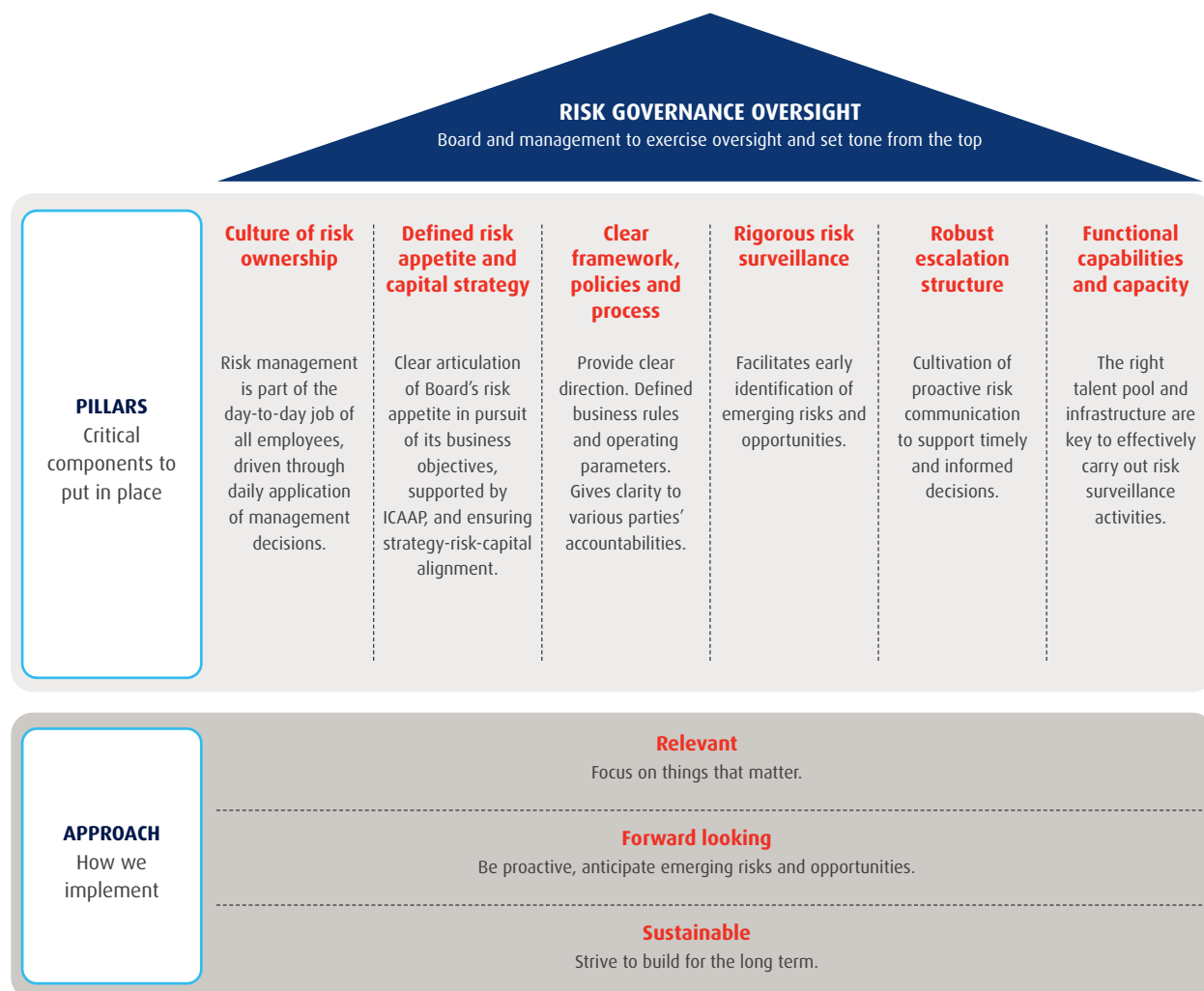


Figure 1: Risk Management Framework

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

**SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)****III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)****(a) Risk Management (continued)**

In addition, the risk management framework is effected through an organisational construct and escalation structure as depicted below:

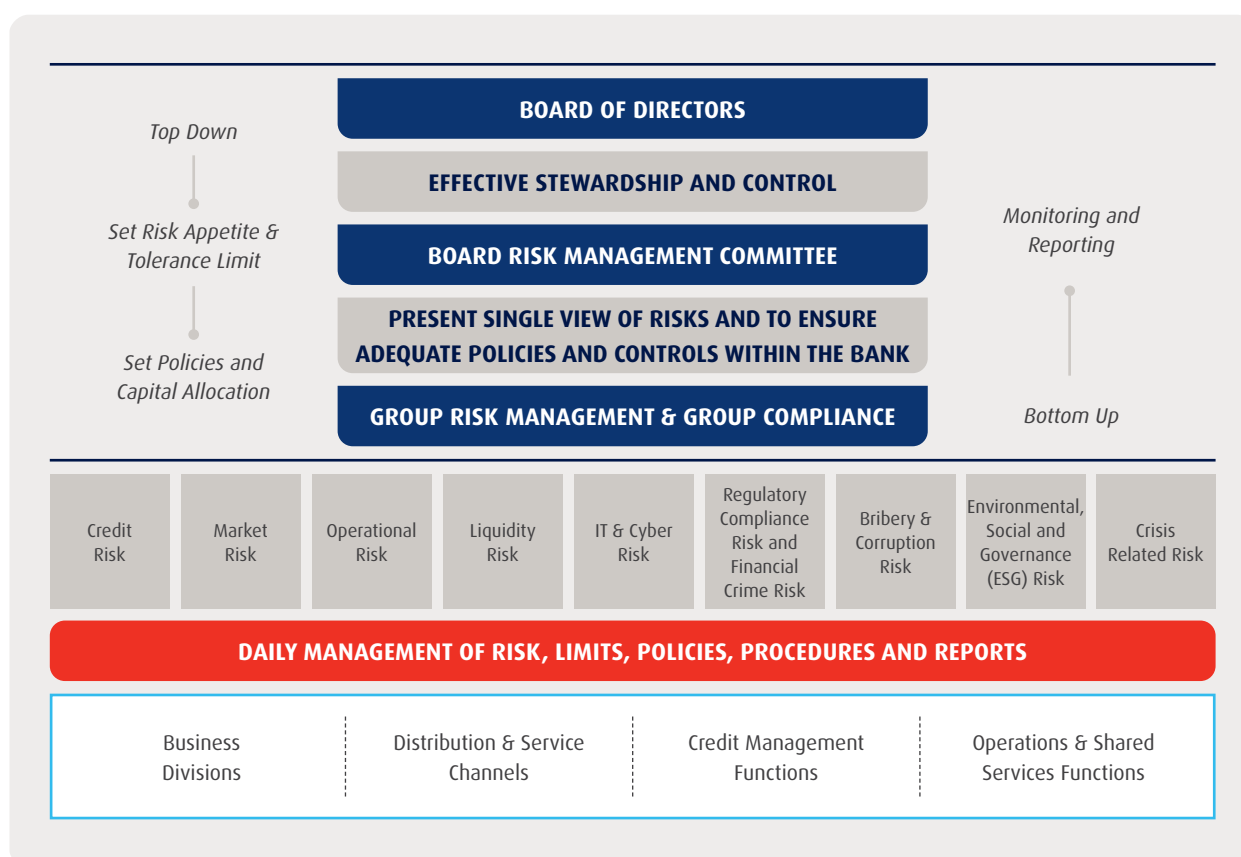


Figure 2: Risk Management Structure

The Board has the overall responsibility to ensure there is proper oversight of the management of risks in the Bank. The Board sets the risk appetite and tolerance level, and allocates the Bank's capital that is consistent with the Bank's overall business objectives and desired risk profile. GRM monitors and reports the Bank's Credit, Market, Liquidity, Operational and IT Risks. GC identifies, assesses, monitors and reports compliance matters in addition to advising, providing guidance and training on regulatory requirements. These risks are presented to BRMC regularly.

The BRMC deliberates and evaluates the reports prepared by GRM and GC, and provides updates to the Board, and where appropriate, make necessary recommendations to the Board.

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

##### (a) Risk Management (continued)

#### HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
<p><b>CREDIT RISK</b></p> <p>Credit Risk arises as a result of customers or counterparties not being able to or willing to fulfill their financial and contractual obligations as and when they fall due.</p>	<ul style="list-style-type: none"> <li>The Bank has established a credit risk management framework (via the Board Policy on Credit Risk Governance) to ensure that exposure to credit risk is kept within the Bank's financial capacity to withstand potential future losses. Financing activities are also guided by internal credit policies. The above policies are subject to reviews and enhancements, at least on an annual basis.</li> <li>Credit portfolio strategies are developed to achieve a desired portfolio risk tolerance level and sector concentration distribution.</li> <li>To assess the credit risk of retail customers, the Bank employs risk scoring models and lending templates that are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts.</li> <li>To assess the credit risk of small and medium enterprise, commercial and corporate customers, they are evaluated based on the assessment of relevant factors such as the customer's financial position, industry outlook, types of facilities and collaterals offered; and are assigned with a credit rating.</li> <li>The Bank has a comprehensive credit approving process. While the business units are responsible for credit origination, the credit decisioning function rests mainly with the Credit Evaluation Departments, the Management Credit Committee ("MCC") and the Credit Supervisory Committee. The Board delegates the approving and discretionary authority to the MCC and various personnel based on job function and designation.</li> <li>For any new products/product variation, credit risk assessment also forms part of the new product/product variation sign-off process to ensure that the new product complies with the appropriate policies and guidelines, prior to their introduction.</li> <li>Credit risk reports are presented to the relevant Management and Board level committees. Such reports identify adverse credit trends and asset quality to enable the Bank to take prompt corrective actions and/or take appropriate risk-adjusted decisions.</li> <li>GRM conducts independent credit reviews on a portfolio basis, which cover the Personal Financial Services, Business and Corporate Banking, Global Markets, Financial Institution's portfolios and portfolios of overseas subsidiaries and branches, providing an independent and where appropriate, countervailing perspective on credit risk management issues including business performance, credit decisions, overall assets quality and credit operations robustness.</li> <li>In addition, the Bank also conducts periodic stress testing of its credit portfolios to ascertain the credit risk impact to capital under the relevant stress scenarios.</li> </ul>

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

##### (a) Risk Management (continued)

#### HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
<p><b>OPERATIONAL RISK</b></p> <p>Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which also include outsourcing and business continuity risks.</p>	<ul style="list-style-type: none"> <li>• Management oversight on Operational Risk Management ("ORM") matters are effected through the Risk and Compliance Governance Committee ("RCGC") whilst Board oversight is effected through the BRMC.</li> <li>• The Bank's ORM strategy is based on a framework of continuous improvements, good governance structure, policies and procedures as well as the employment of risk mitigation strategies. The objective is to create a strong risk and internal control culture by ensuring awareness of the significance of operational risk, its methodology of identification, analysis, assessment, control and monitoring.</li> <li>• The Bank adopts ORM tools such as loss event reporting, risk and control self-assessment and key risk indicators to manage operational risks and are used to assess risk by taking into consideration key business conditions, strategies and internal controls.</li> </ul>
<p><b>MARKET RISK</b></p> <p>Market Risk is the risk of loss in financial instruments or the balance sheet due to adverse movements in market factors such as interest and exchange rates, prices, spreads, volatilities, and/or correlations.</p>	<ul style="list-style-type: none"> <li>• Market risk is primarily managed through various risk limits and controls following an in-depth risk assessment and review. The types and level of market risk that the Bank is able and willing to take in pursuit of its business objectives and risk-taking strategies are used as a basis for setting market risk appetite for the Bank.</li> <li>• Market risk limits, the monitoring and escalation processes, delegation of authority, model validation and valuation methodologies are built into the Bank's market risk policies, which are reviewed and concurred by the Group Asset and Liability Management Committee ("Group ALCO"), endorsed by the BRMC and approved by the Board.</li> <li>• Regular market risk stress tests are conducted on the trading book to measure the loss vulnerability under stressed market conditions.</li> </ul>

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

##### (a) Risk Management (continued)

#### HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
<p><b>LIQUIDITY RISK</b></p> <p>Liquidity risk is the risk of financial loss arising from the inability to fund increases in assets, inability to liquidate assets in a timely manner and/ or inability to meet financial obligations as they fall due.</p>	<ul style="list-style-type: none"> <li>The Bank adopts a prudent liquidity management approach that includes establishing comprehensive policies and procedures, implementation of risk controls which are supported by periodic reviews and monitoring. The liquidity risk policies and governance are reviewed by Group ALCO, endorsed by the BRMC and approved by the Board.</li> <li>The Bank seeks to manage liquidity to ensure that our obligations will continue to be honored under normal as well as adverse circumstances. The key elements of liquidity risk management includes proactive monitoring and management of cashflow, maintenance of high quality liquid assets, diversification of funding sources and maintaining a liquidity compliance buffer to meet any unexpected cash outflow.</li> <li>The Bank strives to develop a diversified funding base with access to funding sources across retail and wholesale channels. The funding strategy is anchored on the strength of our core deposit franchise. The Bank also designs and conducts regular stress test programmes in accordance with the board-approved risk appetite and risk management policies. The appropriate management action plans would be developed and recommended to the Board if there are any potential vulnerabilities identified during the stress test exercise.</li> </ul>
<p><b>IT &amp; CYBER RISK</b></p> <p>Information Technology Risk is the risk of technological failure which may disrupt business operations such as system defects or service outages. This also includes cyber security risk, which is the risk of possible threat that might exploit a vulnerability to breach system security and therefore cause possible harm.</p>	<ul style="list-style-type: none"> <li>New technology initiatives are subjected to a rigorous evaluation process which assesses the potential risks and readiness of the initiative prior to its implementation.</li> <li>The Bank performs continuous monitoring on system performance to ensure minimal system disruption, while ensuring that redundancies in IT infrastructure and Disaster Recovery Plans are regularly tested.</li> <li>In addition to continuously improving the Bank's cyber resilience by upgrading technology capabilities to mitigate cyber threats, cyber risks are also managed by closely monitoring key risk metrics and progressively enhancing its cyber threat intelligence gathering capabilities to improve the Bank's situational awareness.</li> <li>Management oversight on IT and cyber risk management matters are effected through the IT Steering Committee ("ITSC") and Information Security Governance Council ("ISGC") whilst Board oversight is effected through the BITC.</li> </ul>

## Corporate Governance Overview, Risk Management &amp; Internal Control Statement

## SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

## (a) Risk Management (continued)

## HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
<p><b>REGULATORY COMPLIANCE RISK</b></p> <p>Regulatory Compliance Risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation as a result of failure to comply with laws and regulations.</p>	<ul style="list-style-type: none"> <li>The Bank undertakes robust monitoring of developments in laws and regulations and assesses its impact to its processes, where applicable. The assessments are undertaken to identify gaps in existing processes so that actions are taken within defined timeframes to ensure that the Bank is in compliance.</li> <li>The Bank participates in providing feedback to the regulators and industry through consultation papers and exposure drafts on policy documents and enhancement activities.</li> </ul>
<p><b>FINANCIAL CRIME RISK</b></p> <p>Financial Crime Risk is the risk of legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to Anti-Money Laundering, Counter Financing of Terrorism and Targeted Financial Sanctions requirements.</p>	<ul style="list-style-type: none"> <li>In mitigating the risk of financial crime, the Bank undertakes monitoring of developments of laws and regulations and assesses its impact to internal policies, processes and procedures. The Bank leverages on digital automated transactions monitoring and onboarding solutions to strengthen our capabilities in detection, monitoring and reporting of potential suspicious activities.</li> <li>The Bank continuously maintains robust controls as a gatekeeper to the financial system against Money Laundering, Terrorist Financing and Proliferation Financing risks.</li> <li>Management oversight on financial crime matters is effected through the Management level Financial Crime Governance Committee ("FCGC"), whilst Board oversight is effected through the BRMC.</li> </ul>
<p><b>BRIBERY AND CORRUPTION RISK</b></p> <p>Bribery and Corruption Risk is the risk of offering, paying or receiving a bribe through an officer, employee, subsidiary, intermediary or any third party (individual or corporate) acting on the Bank's behalf.</p>	<ul style="list-style-type: none"> <li>The Bank ensures that the Management team conducts bribery and corruption risk assessment of the overall Bank's operations periodically to identify, analyse, assess and prioritise actions needed to mitigate internal and external bribery and corruption risks.</li> <li>Management also reviews risk assessment reports, consider improvements to the Bank's policies and procedures, and provides training to internal and external stakeholders in combating corruption and bribery risks.</li> <li>The Anti-Bribery and Corruption ("ABC") policy is communicated to all our employees, who are required to undergo mandatory training and assessment on completion of training in the subject matter.</li> <li>Clauses relating to ABC have also been incorporated in written agreements to ensure that suppliers to the Bank understand their obligations and abide by the relevant laws and regulations. There is continuous reinforcement of communications to our suppliers on our expectations in relation to ABC.</li> <li>Board oversight of bribery and corruption risk is effected through the BRMC and BAC. The Bank has a Whistleblowing Policy and accompanying procedures in place, where whistleblowing reports can be addressed directly to the Chairman of the BAC.</li> </ul>



## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

##### (a) Risk Management (continued)

#### HONG LEONG BANK'S KEY RISKS

Type of Risk	Mitigating Actions Taken / Strategy
<p><b>ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISK</b></p> <p>Environmental, Social and Governance (ESG) Risk is the adverse impacts of material "Environmental", "Social" and "Governance" risks that could subsequently translate to financial risks and potential losses that could affect the business operations and stability of the Bank.</p> <p>The 'Environmental' factor considers organisational safeguards for the environment, including corporate policies addressing climate change. The 'Social' factor examines how we manage relationships with employees, suppliers, customers and our communities. The 'Governance' factor relates to the stewardship of the organization by its leadership, discharge of the Board and Management's accountabilities in accordance to ethical business practices, and implementation of good internal control frameworks.</p>	<ul style="list-style-type: none"> <li>• The Bank has policies, principles and codes of conduct to ensure the interests of the Bank are aligned with the interests of stakeholders on responsible lending/financing. These include assessments to screen for and review environmental and social risks, financial evaluation 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.</li> <li>• The Bank has credit policies that require sales and credit staff to review the borrowers' compliance with applicable environmental and social laws and review of the same at annual reviews of loan/financing facilities to ensure ongoing compliance.</li> <li>• The Bank manages its environmental footprint through reduction of waste (such as paper and water) and efficient usage of energy.</li> <li>• The Bank has an independent Tender Review Committee that assesses diligence reviews of suppliers across a number of risks, not just financial strength and operational performance. We take into account considerations on environment and social track record and policies, business continuity plans and cyber security capabilities. Suppliers have to satisfy our zero tolerance for corruption and unfair practices.</li> <li>• Management oversight on sustainability matters is effected through the Management level Sustainability Committee ("SC"), whilst Board oversight is effected through the BRMC.</li> </ul>

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

##### (a) Risk Management (continued)

HONG LEONG BANK'S KEY RISKS	
Type of Risk	Mitigating Actions Taken / Strategy
<p><b>CRISIS RELATED RISK</b></p> <p>Crisis related risk is the risk of loss arising from increased volatility and uncertainty, resulting in impact to the Bank's customers, financial markets and interruption on the Bank's operations. Such loss could arise from disruptive events such as a global pandemic, catastrophic climate change effects, geopolitical tensions and uncertainties surrounding the global economic outlook.</p>	<ul style="list-style-type: none"> <li>The Bank has a strategic plan in place to ensure that its operations and services remain fully operational in the event of a crisis.</li> <li>The Bank remains cognizant of the need to continuously build and maintain resilience, through close and proactive monitoring of potentially high impact events in the short term and longer term horizon. The Bank continuously simulates and tests preparedness to navigate through crisis conditions, while challenging and refining its Business Continuity Management ("BCM") plans and processes based on various scenarios. Consequently, the Bank continuously enhances its BCM plans and processes to strengthen its resilience to endure future crises.</li> <li>In managing credit risk exposures, the Bank regularly conducts stress tests which incorporate consideration for permutations arising from the pandemic. This is done to assess potential vulnerabilities and provide a forward looking view on areas of potential vulnerabilities given the current operating environment.</li> </ul>

##### (b) Basel II and III

The Bank places great importance on Basel II and III and views Basel II and III as a bank-wide initiative that will ensure that the Bank continues to meet international best practices for the Bank's credit, market, operational and liquidity risk management practices. By adopting Basel II and III, the Bank is able and will continue to enhance and embed sound risk management practices within the Bank and be equipped with the right risk management discipline, practices, processes and systems.

For Basel II Pillar 1, the Bank is in compliance with the regulatory standards and is progressively employing advance risk measurement in the respective businesses. For Basel II Pillar 2, the Bank's Board Policy on Internal Capital Adequacy Assessment Process ("ICAAP") forms an integrated approach to manage the Bank's risk, capital and business strategy. For Basel II Pillar 3, which is related to market discipline and disclosure requirements, the Bank has provided the disclosures under a separate Pillar 3 section in this Annual Report.

For Basel III, the Bank is in compliance with the regulatory requirements and will continuously strengthen its capital and liquidity profile in all the countries that the Bank operates in, to ensure sufficient capital and liquidity is maintained to allow for business growth and sound capital / liquidity buffer management.

##### (c) Internal Audit

The Bank's Group Internal Audit Division ("GIAD") performs the internal auditing function for the various entities in the Bank. GIAD regularly reviews the critical operations (as defined in BNM Guidelines on Internal Audit Function of Licensed Institutions) and critical controls in the Information Technology environment (as outlined in the BNM RMIT Policy) of the Bank to ensure that the internal controls are in place and working effectively.

The results of the audits conducted by GIAD are reported to the BAC. Follow-up actions and the review of the status of corrective action plans are carried out by Management via the RCGC chaired by the GMD/CEO,

## Corporate Governance Overview, Risk Management & Internal Control Statement

### SECTION J. STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

#### III. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK (CONTINUED)

##### (c) Internal Audit (continued)

whose members comprise senior management. The minutes of meetings of RCGC are tabled to the BRMC and BAC for notation.

Implementation of corrective action plans are followed up on a monthly basis and reported to the BAC. Highlights of the BAC meetings are submitted to the Board for review and further deliberation.

In addition, internal controls are also effected through the following processes:

- The Board receives and reviews regular reports from Management on the key operating statistics, business dynamics, legal matters and regulatory issues that would have implications on internal control measures.
- The BAC regularly reviews and holds discussions with Management on the actions taken on internal control issues identified in reports prepared by GIAD, external auditors and regulatory authorities.
- Policies on delegation and authority limits are strictly implemented to ensure a culture that respects integrity and honesty, and thereby reinforce internal controls.
- Policies and procedures are set out in operation manuals and disseminated throughout the organisation in support of a learning culture, so as to reinforce an environment of internal controls discipline.
- Policies for recruitment, promotion and termination of staff are in place to ensure the Group's human resources comply with internal controls.

#### IV. ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board has received assurance from the GMD/CEO, Chief Financial Officer, Chief Risk Officer, Chief Internal Auditor and Chief Compliance Officer that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Bank.

Based on the assurance it has received from Management, the Board is of the view that the Bank's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

#### V. REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

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

### SECTION K. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

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

The Directors are satisfied that in preparing the financial statements of the Group and of the Bank for the FY2023, the Group has used the appropriate accounting policies and applied them consistently. The Directors are also of the view that the relevant approved accounting standards have been followed in the preparation of these financial statements.

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