



# ALLIANCE BANK

**Alliance Bank Malaysia Berhad** (88103-W)

## **CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015**

## **CORPORATE GOVERNANCE STATEMENT**

The Board of Directors of Alliance Bank Malaysia Berhad (“the Bank”) considers good corporate governance to be the foundation of a well-managed institution. The Board is fully committed to integrity and fair dealing in all its activities, and has adopted the best practice of corporate governance in all areas of its business towards enhancing business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholders’ value.

The Bank’s approach to corporate governance practices is in conformity with Bank Negara Malaysia’s (“BNM”) Guidelines on Corporate Governance for Licensed Institutions (“BNM CG Guidelines”) and has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012.

## **BOARD OF DIRECTORS**

### **1. Responsibilities**

The Board is principally responsible for the overall performance of the Bank. It provides stewardship to the Bank’s strategic vision, direction, operations and long-term goals in order to maximise shareholders’ value.

The principal functions of the Board are as follows:

- reviews and approves the Management’s proposals on long-term strategic plans of the Bank as well as the strategic business plans and activities of the various business units and monitors the Management’s performance in the implementation process;
- approves the annual budget for the Bank and conducts regular business review of achievements against the annual budget, as well as reviews the Management’s business strategies and action plans;
- sets corporate values and clear lines of responsibility and accountability that are communicated throughout the Bank;
- ensures there is a managed and effective process to select and appoint key Senior Management officers that are qualified, professional and competent to administer the affairs of the Bank as well as approves a succession planning policy and effectively monitors Senior Management’s performance on an ongoing basis;

- ensures the implementation of effective internal controls and processes to measure and manage business risks, including but not limited to reviewing the adequacy and integrity of internal control systems and operations; establishing relevant policies on the management of business risks covering *inter alia* operational, credit, market and liquidity risks and other key areas of the Bank's operations;
- sets up an effective internal audit department, staffed with qualified internal audit personnel to perform internal audit functions, covering the financial and management audit;
- establishes procedures to avoid self-serving practices and conflicts of interests including dealings of any form with related entities;
- establishes and ensures the effective functioning of various Board Committees;
- ensures that the operations of the Bank are conducted within the framework of all relevant regulations, laws and policies; and
- ensures that the Bank has a beneficial influence on the economic well-being of its community.

## **2. Board Charter**

The Board has adopted a charter to provide Directors and Officers with greater clarity regarding the roles of the Board, the requirements of Directors in carrying out their roles and discharging their duties, and to serve as the Board's operating practices. The charter will be reviewed from time to time and updated in accordance with the needs of the Bank and any new regulations that may have an impact on the roles and responsibilities of the Board.

## **3. Board Composition**

The Board consists of individuals of calibre and diverse experience with the necessary skills and qualification. The Board comprises Directors who, as a group, provides a mixture of core competencies such as finance, accounting, legal, business management and investment management for the effective functioning and discharging of the responsibilities of the Board.

As at 31 March 2015, the Board comprises seven (7) Non-Executive Directors, five (5) of whom are Independent, as named below:

1. Dato' Thomas Mun Lung Lee (Independent Non-Executive Director/ Chairman)
2. Megat Dziauddin bin Megat Mahmud (Independent Non-Executive Director)  
- Ceased on 21 April 2015
3. Kung Beng Hong (Non-Independent Non-Executive Director)
4. Tan Yuen Fah (Independent Non-Executive Director)

5. Ou Shian Waei (Independent Non-Executive Director)
6. Kuah Hun Liang (Independent Non-Executive Director)
7. Lee Ah Boon (Non-Independent Non-Executive Director)

#### **4. Appointments and Re-election of Directors**

Any proposed appointment of new Directors to the Board or proposed re-appointment of existing Directors will be assessed by the Group Nominating Committee ("Group NC"). In evaluating the appointment of new Directors, the Group NC looks for diversity of skills and experience of the candidates. To ensure the candidate has the character, experience, integrity, competency and time to effectively discharge his role as a Director, the Group NC will assess the fitness & propriety of the candidates in accordance with the Group's Policy on Fit and Proper. The following criteria are considered by the Group NC:

- Probity, personal integrity and reputation
- Competence and capability
- Financial integrity

The Group NC will, upon its assessment, submit its recommendation to the Board for approval. The final decision on the appointment of a candidate recommended by the Group NC rests with the whole Board before the application is submitted to BNM for approval.

Upon appointment, new Directors are advised of their legal and statutory responsibilities. All Directors are also regularly being updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

In accordance with the Articles of Association of the Bank, newly appointed Directors shall hold office only until the next Annual General Meeting ("AGM"), and shall then be eligible for re-election. Additionally, one-third (1/3) of the Directors shall retire by rotation at each AGM. A retiring Director is eligible for re-election at the AGM.

Directors who are 70 years of age or above are required to submit themselves for re-appointment annually in accordance with section 129 of the Companies Act, 1965.

As the capacity, energy and enthusiasm of a Director is not necessarily linked to age, the Board deemed it not appropriate to prescribe age limits for the retirement of Directors. The Board believes in having a healthy mix of age and experience and therefore does not prescribe a minimum or maximum age limit for its Board members apart from what is laid down under Section 129 of the Companies Act, 1965.

#### **5. Independence of Directors**

The Group NC considers a strong element of independence on the Board vital for good corporate governance and it performs an annual review of the independence of the Directors. An Independent Director is defined as a Director who is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank.

Independent Non-Executive Directors of the Bank exercise independent judgement and participate in the deliberations of the Board objectively with no individual or small group of individuals dominate the Board's decision making process. The number of Independent Non-Executive Directors on the Board of the Bank exceeds the minimum 1/3 requirement laid down in BNM CG Guidelines.

The Board through the Group NC will assess Directors' independence annually against the independence criteria as set out in Part 2.26 of BNM CG Guidelines. In the annual assessment of the Independent Directors of the Bank in respect of financial year ended 31 March 2015, the Board was satisfied that each of the Independent Directors of the Bank continue to be independent and free from any business or other relationship, which could interfere with the exercise of independent judgement.

The Bank has adopted a maximum 9-year policy for Independent Directors, which is implemented on a gradual basis to ensure the continued effective functioning of the Board as well as to enable the progressive refreshing thereof, in line with best CG practice.

Dato' Thomas Mun Lung Lee, who was appointed to the Board of the Bank on 21 April 2006, has served the Bank 9 years as an Independent Director. Mr. Tan Yuen Fah, who was appointed to the Board of the Bank on 18 March 2008 and to the Board of Alliance Financial Group Berhad on 1 July 2005, has served the Group for more than 9 years as an Independent Director. The Board is satisfied with the skills, contributions and independent judgement that both Dato' Thomas Mun Lung Lee and Mr. Tan Yuen Fah bring to the Board. In view thereof, the Board recommends and supports their retention as Independent Directors which is subject to BNM's approval and the shareholder's approval at the forthcoming AGM.

## **6. Separation of the Role of the Chairman and the Chief Executive Officer ("CEO")**

The roles of the Chairman and the CEO are separated, which is consistent with the principles of corporate governance as set out in BNM CG Guidelines to institute an appropriate balance of power and authority. The Chairman, being non-executive, is not involved in the day-to-day operations of the Bank. He plays a crucial role in ensuring the smooth functioning of the Board and encourages healthy debates on strategic and critical issues. He chairs Board meetings and arranges regular separate sessions with the Non-Executive Directors to review Management's performance.

The CEO oversees the development and execution of the Bank's corporate and business strategy, and is ultimately responsible for managing the Bank and its subsidiaries' day-to-day operations.

Mr. Sng Seow Wah stepped down from the office of Group Chief Executive Officer/Executive Director of the Bank on 4 October 2014. In place thereof, Mr. Joel Kornreich has been appointed as the Group Chief Executive Officer of the Bank on 1 January 2015.

## **7. Company Secretary**

The Directors have unrestricted access to all levels of Senior Management staff in the Bank including the services of the Company Secretary, to enable them to discharge their duties effectively and efficiently. The Directors, in addition, could engage outside expert advice from sources independent of Management at the expense of the Bank.

The role of the Company Secretary is defined. He attends all Board meetings and ensures that all applicable rules and regulations regarding the conduct of the Board are complied with. Under the direction of the Chairman, he ensures good information flows within the Board and its committees and between Senior Management and Non-Executive Directors, as well as facilitates orientation of new Directors and professional development of Directors, as required.

The Board assesses the fitness and propriety of the Company Secretary annually in accordance with the Group's Policy on Fit and Proper, and that the Board is satisfied with the performance and support rendered by the Company Secretary.

## **8. Board Meetings and Supply of Information**

The Board meets on a scheduled basis at least eight (8) times a year to review progress reports on the Bank's financial performance, approve strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings may also be called to deliberate and assess corporate proposals or business issues that require the Board's immediate consideration/decision.

When exigencies prevent a Board member from attending meeting in person, he can participate by telephone-conferencing as permissible under the Bank's Articles of Association.

Board's approval for urgent matters may be obtained through written resolutions approved by circulation.

All Directors are supplied with information on a timely manner. The agenda for each Board meeting, together with detailed reports and proposal papers to be tabled, are circulated to the Directors for their perusal well in advance of the date of the Board meeting. Senior Management staff are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board to make an informed decision.

The Group has implemented paperless meetings where board materials are uploaded to a secured board portal for the Directors to download to their tablets. This initiative has made the process of creating, distributing and reviewing confidential board materials more efficient and secure. It speeds up the process of board pack dissemination and removes the need for hard copy papers. The initiative also enhances the Group's corporate responsibility in line with environmental initiatives by reducing its paper consumption.

During the financial year ended 31 March 2015, twenty-one (21) Board meetings were held. The details of attendance of each Board member are as follows:

	Board Members	Meetings attended/held
1.	Dato' Thomas Mun Lung Lee (Independent Non-Executive Director/Chairman)	20/21
2.	Megat Dziauddin bin Megat Mahmud (Independent Non-Executive Director) - Ceased on 21 April 2015	21/21
3.	Kung Beng Hong (Non-Independent Non-Executive Director)	21/21
4.	Tan Yuen Fah (Independent Non-Executive Director)	20/21
5.	Ou Shian Waei (Independent Non-Executive Director)	21/21
6.	Kuah Hun Liang (Independent Non-Executive Director)	21/21
7.	Lee Ah Boon (Non-Independent Non-Executive Director)	21/21
8.	Sng Seow Wah (Group Chief Executive Officer/Executive Director) - Ceased on 4 October 2014	7/8

## 9. Board Performance

The Board has implemented an annual performance evaluation process, carried out by the Group NC, to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.

Each Director evaluates the performance of the Board as a whole by way of a Self-Assessment Questionnaire by Individual Board Members. The assessments are made against the pre-established criteria in the following areas:

- A. Board Composition/Structure
- B. Board Process
- C. Board Governance
- D. Major Responsibilities of the Board

For individual Directors' assessments, Self-Assessment Forms by Individual Director are completed by each Director individually. In addition, the performance of each Board Member is assessed by the Board Chairman based on similar criteria of the Self-Assessment Form. The results are compiled for Group NC's deliberation.

The results of the performance evaluation are reviewed and discussed for improvements among Board Members.

In the annual assessment of the Board for the financial year ended 31 March 2015, the Board was satisfied with its current size and composition as well as its mix of skills which is made up of individuals of high calibre, credibility and with the necessary skills and qualifications to enable the Board to discharge its responsibility effectively. The Board, through the Group NC, has also assessed the fitness & propriety of the Directors in accordance with the Group's Policy on Fit and Proper and was satisfied with the fitness and propriety of the Directors.

## **10. Board Training**

Continuous training is vital for the Directors to gain insight and keep abreast with the development in the banking industry to further enhance their skills and knowledge in discharging their responsibilities effectively. All Directors are encouraged to attend at least one training/course/seminar relating to the relevant areas within a financial year.

The Company has put in place a Directors' Orientation Programme for newly appointed Directors to familiarize themselves with the Bank's operations. The Directors are provided with the opportunity for relevant training programmes on an ongoing basis in areas relating to banking including Islamic banking and financial industry for them to keep abreast with the latest developments in the industry including the Financial Institutions Directors' Education ("FIDE") Core Programme which promotes high-impact Boards by strengthening Board competencies in dealing with corporate governance, risk management and strategic issues faced by the financial services industry.

During the financial year, the Directors attended seminars, courses and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house. Some of the seminars, conferences and courses attended by Directors are:

- FIDE : The Role of the Board in Behavioural Issues & Tools and Techniques for Nominating and Remuneration Committees
- FIDE : Human Capital Management in the Boardroom & "C" suite Programme Tools and Techniques for Nominating and Remuneration Committees
- FIDE : Advanced Risk Governance and Risk Management
- FIDE Forum : Recovery and Resolution Plan in FI: Board Leading the Way
- FIDE Forum : "Risk : From Whereof"
- FIDE Forum : "Financial Services in Turbulent Times" : A Dialogue with Tan Sri Lin See-Yan
- FIDE Forum Dialogue with the Governor : "Economic & Financial Services Sector : Trends & Challenges Moving Forward"
- BNM FIDE Forum : Dialogue with the Governor
- BNM Dialogue Session with Nomination Committee Members
- Board of Director Breakfast Series - Great companies deserve great boards
- BNM Briefing Session on Bank Negara Malaysia Annual Report 2014 / Financial Stability and Payment Systems Report 2014 - Commercial Banks
- Leadership Energy Summit Asia 2014
- BNM CRR Communication session with Board Members of Alliance Bank and Alliance Islamic Bank
- Board Briefing by PwC - Integrated Reporting



- Board Briefing by PwC - (1) Living Will - Recovery and Resolution Planning, (2) Cyber Criminal in the Financial Services Industry, (3) IFRS 9, and (4) FATCA
- Risk Management and Internal Control: "An Integrated Assurance On Risk Management And Internal Control - Is Our Line Of Defence Adequate And Effective?"
- Managing Stakeholders Expectations
- Anti-Money Laundering & Anti-Terrorism Financing for Directors and Senior Management
- Global Competitiveness and the Malaysian Experience
- Reinsurance Overview
- Great Companies Deserve Great Boards & Great Boards Leading the Way for Highly Innovative Companies
- An evening with Jane Goodall
- LSE Asia Forum: Building Asian Future: integration, welfare and growth?
- The Singapore Summit 2014 : Global-Asia Confluence

The Directors also receive briefings on relevant new laws, rules and regulations, risk management updates and changes in accounting standards at Board/Board Committee meetings.

## 11. Board Committees

To enhance its effectiveness in discharging its fiduciary duties, the Board has established Board Committees which operate within specific delegated authority and functions to complement the Board in the execution of its responsibilities. The Board Committees operate on a Group basis except for the Executive Committee. Each Board Committee has its Terms of Reference which set forth the responsibilities of that Committee, in line with BNM CG Guidelines.

The broad functions of the Board Committees are as follows:

### i) Executive Committee ("EXCO")

The EXCO reviews and recommends strategies and policies for the Board's approval and oversees their implementation. It also reviews loan applications and other operational matters recommended by the Management which are within its financial limits set by the Board. The EXCO meets as often as required. The EXCO comprises the following members:

- Kung Beng Hong (Chairman)
- Lee Ah Boon
- Ou Shian Waei
- Sng Seow Wah (Ceased on 4 October 2014)

During the financial year ended 31 March 2015, ten (10) EXCO meetings were held. The details of attendance of each EXCO member are as follows:

	Members	Meetings attended/held
1.	Kung Beng Hong (Chairman)	10/10
2.	Lee Ah Boon	10/10
3.	Ou Shian Waei	10/10
4.	Sng Seow Wah - Ceased on 4 October 2014	4/4

**ii) Group Nominating Committee (“Group NC”)**

The Group NC was set up to provide a formal and transparent procedure for the appointment of Directors and Group CEO/CEO and members of Shariah Committee as well as assessment of effectiveness of individual Directors, Board as a whole and Shariah Committee Members for the Bank and its subsidiaries. The Group NC meets at least once a year and is directly accountable to the Board on matters relating to the Bank.

The roles and responsibilities of the Group NC are as follows:

- to establish minimum requirements for the Board i.e. required mix of skills, experience, qualification and other core competencies required of a Director. The Committee is also responsible for establishing minimum requirements for the Group CEO and CEO. The requirements and criteria should be approved by the full Board;
- to recommend and assess the nominees for directorship, Board Committee members, Shariah Committee members as well as nominees for the Group CEO and CEO. This includes assessing Directors and Shariah Committee members for re-appointment, before an application for approval is submitted to BNM. The actual decision as to who shall be nominated should be the responsibility of the full Board;
- to oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Directors, Non-Executive Directors and Independent Directors through annual review;
- to recommend to the Board the removal of a Director/ Group CEO/ CEO/ Shariah Committee member from the Board/Management/Committee if the Director/ Group CEO/ CEO/ Shariah Committee member is ineffective, errant and negligent in discharging his responsibilities;

- to establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board and the contribution of the Board's various committees. Annual assessment should be conducted based on an objective performance criterion. Such performance criteria should be approved by the full Board;
- to ensure that all Directors and Shariah Committee members continue to receive training in order to keep abreast with the latest development in the industry;
- to assess, on an annual basis, that the Directors and key senior management officers are not disqualified under Section 59 of Financial Services Act 2013. To also assess that the Directors and key senior management officers of the Islamic subsidiary are not disqualified under Section 68 of Islamic Financial Services Act 2013 and the Shariah Committee members are not disqualified under the Guidelines on the Governance of Shariah Committee for the Islamic Financial Institutions ("BNM/GPS 1"); and
- to make recommendation to the Board for the appointment of members of the Shariah Committee or other Board Committees as may be required by BNM or other relevant authorities from time to time.

The Group NC comprises five (5) members, all of whom are Non-Executive Directors with three (3) members being independent. The Group NC is chaired by an Independent Director.

During the financial year ended 31 March 2015, twelve (12) Group NC meetings were held. The details of attendance of each Group NC member are as follows:

	Members	Meetings attended/ held
1.	Dato' Thomas Mun Lung Lee* (Chairman)	12/12
2.	Megat Dziauddin bin Megat Mahmud*	12/12
3.	Kung Beng Hong#	12/12
4.	Lee Ah Boon#	12/12
5.	Ou Shian Waei*	12/12

Notes:

1. \* Independent Non-Executive Director.
2. # Non-Independent Non-Executive Director.

**iii) Group Management Development & Remuneration Committee (“Group MDRC”)**

The objectives of the Group MDRC is to provide a formal and transparent procedure for developing remuneration policy for Directors, Group CEO/CEO and Senior Management as well as developing disciplinary and recruitment policies and assessing the performances of Executive Directors, Group CEO/CEO and Senior Management and ensuring that compensation stays competitive and consistent with the Group’s culture, objectives and strategy. In addition, it is responsible for developing remuneration policy for the Shariah Committee members that commensurate with their roles and responsibilities. The Group MDRC meets at least once every quarter and is directly accountable to Board on matters relating to the Bank.

The roles and responsibilities of the Group MDRC are as follows:

- recommending a framework of remuneration for Directors, Executive Director(s)/Group CEO/CEO and Senior Management for the full Board’s approval. This framework shall reflect the responsibility and commitment which goes with the responsibilities of the position. There shall be a balance in determining the remuneration package i.e. sufficient to attract and retain the performers. The framework shall cover all aspects of remuneration including Director’s fees, salaries, allowances, bonuses, options and benefits-in-kind;
- recommending specific remuneration packages for the Executive Director(s)/ Group CEO/CEO and Senior Management, structured in such a way, that it is competitive and consistent with the Group’s culture, objectives and strategy. As for Non-Executive Directors and Independent Directors, the level of remuneration shall be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board;
- reviewing the Group’s succession plan to ensure orderly transition and succession of Senior Management positions;
- approving new Senior Management appointments and remuneration package, transfers and promotions of Senior Management and assessing the performance of Executive Director(s)/Group CEO/CEO and Senior Management;
- serving as a panel member (any one member) in the Group’s Disciplinary Panel for employees on job grade 4B and above. The full Committee hears appeals from employees of this category;
- recommending to the Board the removal of Senior Management officers if they are ineffective, errant and negligent in discharging their responsibilities;

- oversight of human capital policies and strategies of the Group; and
- recommending the remuneration of the Shariah Committee members for the full Board's approval. The remuneration shall commensurate with and reflect the roles and responsibilities of the Shariah Committee.

The Group MDRC comprises four (4) members, all of whom are Non-Executive Directors with two (2) members being independent. The Group MDRC is chaired by an Independent Director.

During the financial year ended 31 March 2015, ten (10) Group MDRC meetings were held. The details of attendance of each Group MDRC member are as follows:

	Members	Meetings attended/ held
1.	Dato' Thomas Mun Lung Lee* (Chairman)	10/10
2.	Megat Dziauddin bin Megat Mahmud*	10/10
3.	Kung Beng Hong#	10/10
4.	Lee Ah Boon#	10/10

Notes:

1. \* Independent Non-Executive Director.
2. # Non-Independent Non-Executive Director.

**iv) Group Audit Committee ("Group AC")**

The Group AC was set up to ensure an effective and independent internal audit function covering financial as well as management audits and to recommend appropriate remedial action on a regular basis. The Group AC meets on a quarterly basis with additional meetings being held on an ad-hoc basis as and when required. The Group AC is directly accountable to the Board of the Bank, Alliance Investment Bank Berhad and Alliance Islamic Bank Berhad on matters relating to the respective entities. The Group AC comprises the following members:

- Megat Dziauddin bin Megat Mahmud (Chairman)
- Kung Beng Hong
- Ou Shian Waei

Details of the Terms of Reference and the summary of the activities of the Group AC during Financial Year Ended 31 March 2015 are disclosed in a separate Group AC Report.

**v) Group Risk Management Committee (“Group RMC”)**

The objectives of the Group RMC is to oversee the Senior Management’s activities in managing credit, market, liquidity, operational, legal and other risks as well as to ensure that the risk management process is in place and functioning according to its purposes. The Group RMC meets at least once every quarter. The Group RMC comprises the following members:

- Tan Yuen Fah (Chairman)
- Kung Beng Hong
- Ou Shian Waei
- Kuah Hun Liang

The Group RMC is directly accountable to the Board of the Bank and its primary functions include:

- reviewing and recommending risk management strategies, policies and risk tolerance for subsequent approval by the Board;
- reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling the extent to which these are operating effectively;
- ensuring that infrastructure, resources and systems are in place for risk management, that is, ensuring that staff who are responsible for implementing risk management systems perform those duties independently of the financial institutions’ risk-taking activities; and
- reviewing Management’s periodic reports on risk exposure, risk portfolio composition and risk management activities.

During the financial year ended 31 March 2015, thirteen (13) Group RMC meetings were held. The details of attendance of each Group RMC member are as follows:

	Members	Meetings attended/held
1.	Tan Yuen Fah* (Chairman)	12/13
2.	Kung Beng Hong#	13/13
3.	Ou Shian Waei*	13/13
4.	Kuah Hun Liang*	13/13

Notes :

1. \* Independent Non-Executive Director.
2. # Non-Independent Non-Executive Director.

**vi) Group Information Technology Steering Committee (“Group ITSC”)**

The objectives of Group ITSC is to oversee the development and maintenance of the IT strategic plan and to review appropriate management information from various departments/entities to ensure that the Group’s IT resources are effectively coordinated and monitored, and also to institute appropriate action plans. The Group ITSC meets at least once every quarter. The Group ITSC comprises the following members:

- Ou Shian Waei (Chairman)
- Kung Beng Hong

The functions and responsibilities of the Group ITSC include:

- formulate long term strategic IT plan and ensure the IT strategic plan supports the Group’s strategic business plan;
- approve and monitor the performance of major IT initiatives and plans;
- review and approve the Group’s key IT policies to ensure the effectiveness of internal control systems and the reliability of the management information systems;
- ensure the Group’s senior management has adopted prudent and effective policies and procedures to identify, measure, monitor and control/mitigate IT risks;
- ensure establishment of key performance indicators and service level agreements in measuring the performance of IT services delivered or received by the Group;
- review periodic management reports and, where necessary, recommend appropriate strategic solutions on key IT weaknesses discovered;
- appraise compliance with established IT policies and procedures, and guidelines and circulars issued by BNM; and
- review and approve budget proposal for any capital or non-capital IT expenditure, where necessary.

During the financial year ended 31 March 2015, four (4) Group ITSC meetings were held. The details of attendance of each Group ITSC member are as follows:

	Members	Meetings attended/held
1.	Ou Shian Waei* (Chairman)	4/4
2.	Kung Beng Hong#	4/4

Notes:

1. \* Independent Non-Executive Director.
2. # Non-Independent Non-Executive Director.

## **12. Shariah Committee**

The Shariah Committee comprises five (5) members who have the necessary qualification, knowledge, expertise and experience in Islamic banking industry.

### Dr. Abdul Rahman bin Awang

Dr. Abdul Rahman bin Awang, aged 69 was appointed as Chairman of the Shariah Committee on 1 January 2009.

He has retired from International Islamic University Malaysia ("IIUM") on 10 July 2014. During his teaching stint, he has written various books, academic papers and articles related to Islamic transactions and has participated widely in numerous seminars, symposiums and conferences in related areas. He has also participated in religious talks and programs on television.

He obtained his Ph.D in Islamic Law from the University of Edinburgh, Scotland, UK. His Master of Laws (Comparative Laws) degree was from Temple University, Philadelphia, USA. He also has a Shariah and Law degree from Al-Azhar University in Cairo, Egypt.

### Assoc. Prof. Dr. Badruddin Hj. Ibrahim

Assoc. Prof. Dr. Badruddin Hj. Ibrahim, aged 50 was appointed as a Shariah Committee member on 15 June 2009. Dr. Badruddin specialises in the Islamic Law of Trust and Islamic Laws of Property.

Dr. Badruddin has conducted many research activities under IIUM. Many of his works have been used in discussions and conferences conducted by academic institutions in Malaysia, the UK, and Indonesia. He also involves in organising Islamic Law-related conferences, conventions, and seminars where he would share his ideas and opinion in the area that he is expert in.

He possesses a Ph.D in Islamic Laws of Trust, Islamic Laws of Property from IIUM, Gombak. His Master and Bachelor Degrees of Shariah and Laws were obtained from the International Islamic University (IIU) of Islamabad, Pakistan.

### Ustaz Hj. Zaharudin bin Muhammad

Ustaz Hj. Zaharudin bin Muhammad, aged 39 was appointed to the Shariah Committee on 1 April 2009. Currently, he is the Chief Religious Officer for Kumpulan Perangsang, a Selangor state investment arm. Previously, he was an Associate Researcher at the International Shariah Research Academy for Islamic Finance (ISRA). Prior to joining ISRA, he was a Shariah Consultant for IFFIN Planner Sdn. Bhd.

He obtained his Master of Islamic Economy and Jurisprudence degree from the University of Cairo, Egypt where he graduated in top 10 of his graduating class. He has also obtained Bachelor of Islamic Jurisprudence degree from the Al-Azhar University Cairo, where he graduated at the top among the university's foreign students. He wrote several books and articles which related to his field in Islamic Jurisprudence.



#### Tuan Haji Md Ali bin Md Sarif

Tuan Haji Md Ali bin Md Sarif, aged 62 was appointed to the Shariah Committee on 1 April 2011. He was a distinguished academic fellow of the Institute of Islamic Banking and Finance (IIBF), International Islamic University Malaysia from 2008-2014. Prior to joining IIBF in 2008, he was with the Maybank Group from 1976 holding various senior positions until his retirement as Head of Planning, Maybank Islamic Berhad. He has extensive experience in the areas of Islamic Banking, Corporate Planning, Asset & Liability Management as well as Banking Operations.

Tuan Haji Md Ali holds a Bachelor of Economics Degree from University Malaya and a MBA (Finance) from Universiti Kebangsaan Malaysia ("UKM"). He also holds a Diploma in Islamic Studies and a Post-Graduate Diploma in Islamic Law from UKM.

#### Prof. Dr. Muhammad Amanullah

Prof. Dr. Muhammad Amanullah was appointed to the Shariah Committee on 1 April 2011. He is currently a professor in Fiqh and Usul al-Fiqh at IIUM, Malaysia. He has conducted many researches in various areas of Islamic studies. His specialization is in Fiqh. He supervises M.A. and Ph.D students in the field of Fiqh al-Muamalat, Fiqh al-Jinayat, contemporary Fiqhi issues and issues on Usul al-Fiqh. He has also published many articles in books and referred journals which have been presented in both national and international seminars.

Prof. Dr. Muhammad Amanullah has a Masters in Islamic Sciences from the University of Utah, Salt Lake City, USA, and a Ph.D in Islamic Jurisprudence from the same university.

#### Roles and Responsibilities of Shariah Committee

The primary roles and responsibilities of the Shariah Committee are as follows:

- advising the Board and Management on Shariah related matters;
- reviewing and endorsing Shariah related policies and guidelines;
- endorsing and validating relevant documentations in the proposal of new products and services including contract, agreement or other legal documentation used in executing banking transactions;
- endorsing and validating product guidelines, marketing advertisements, sales illustrations and brochures related to Islamic products, services and activities;
- assessing the work carried out by Shariah Review and Shariah Audit in order to ensure compliance with Shariah matters;
- advising on the computation and distribution of Zakat;
- assisting and advising related parties such as legal counsel, auditor or consultant on Shariah matters upon request;
- advising in consultation with the Shariah Advisory Council of BNM ("SAC") on any Shariah matters which have not been resolved or endorsed by the SAC;

- monitoring compliance with all SAC's decisions; and
- reviewing the Shariah Non-Compliance and Potential Shariah Non-Compliance of Alliance Islamic Bank Berhad.

During the financial year ended 31 March 2015, fourteen (14) Shariah Committee meetings were held. The details of attendance of each Shariah Committee member are as follows:

No.	Committee Members	Meetings attended/held
1.	Dr. Abdul Rahman bin Awang (Chairman)	14/14
2.	Assoc. Prof Dr. Badruddin Hj. Ibrahim	14/14
3.	Ustaz Hj. Zaharudin bin Muhammad	12/14
4.	Tuan Haji Md Ali bin Md Sarif	14/14
5.	Prof. Dr. Muhammad Amanullah	11/14

### 13. Remuneration Policy

The Group MDRC is primarily responsible to review and develop remuneration framework for Directors, Executive Director/Group CEO/CEO and Senior Management.

#### Directors' Remuneration Framework

The Board acknowledges the importance to attract and retain the right calibre of Directors with the necessary skills, qualifications and experience for effective Board oversight of the Bank's business activities and affairs.

Executive Director (if any) is appointed under standard employment terms which include provisions for basic salary and performance bonus. Whereas, Non-Executive Directors (other than executives within the group) are paid Directors' fees and sitting allowances for Board/Board Committee meetings that they attend. In recognition of the added responsibilities carried out by Non-Executive Directors who are Chairman and members of Board Committees, the Directors concerned are also paid monthly allowances.

#### Employees' Remuneration Framework

The remuneration policy of the Group is to remunerate its employees at competitive and appropriate levels, commensurate with their performance and contributions as well as to attract and retain employees and motivate them to give their best. The Employees' Remuneration Framework comprises fixed salary, bonuses, benefits and long-term incentives. The remuneration components are designed to strike a balance between linking rewards to short-term and long-term objectives, and maintaining competitiveness in the market.

## **ACCOUNTABILITY AND AUDIT**

### **1. Financial Reporting**

The Board is complemented by the Group AC to oversee the Bank's financial reporting processes including the review of the Bank's annual financial statements to ensure accuracy, adequacy and completeness as well as to ensure that the financial report is prepared in accordance with accounting policies and standards and the guidelines of BNM.

### **2. Internal Control**

The Board has overall responsibility in maintaining a system of internal controls covering not only financial controls but also controls relating to operational, compliance and risk management. However, such systems can only provide reasonable but not absolute assurance against the risk of material misstatement, fraud or losses occurring. The rationale of the system of internal controls is to enable the Bank to achieve its corporate objectives within an acceptable risk profile and it is not expected to eliminate all the risks but is aimed at minimising and managing the risks.

On-going reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls.

The Group AC provides an independent oversight of the internal controls system of the Bank. In this regard, all findings on control issues raised by the Internal Auditors, External Auditors and BNM inspection team are tabled and discussed at the Group AC meetings. All agreed recommendations to enhance the control system are also reviewed by the Group AC until they are fully implemented.

To ensure that a sound system of controls is in place, the Board has established primary processes in reviewing the adequacy and integrity of the system of internal controls.

The primary processes include:

- regular and comprehensive management reports are made available to the Board on a regular basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;
- clearly defined delegation of responsibilities to Committees of the Board and to Management including organisation structures and appropriate authority levels;
- a code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;
- a proper procedure to control applications and the environment of computer information systems;
- regular update of internal policies and procedures to reflect changing risks or resolve operational deficiencies; and

- regular review of the business processes by the Group Internal Audit to assess the effectiveness of the control environment and highlight significant risks impacting the Group.

### **3. Relationship with the Auditors**

Through the Group AC, the Board has established a transparent and professional relationship with the auditors, both internal and external. The Group AC meets with the External Auditors at least twice a year to discuss the audit plan, annual financial statements and audit findings. It also meets with the External Auditors whenever it deems necessary. The Group AC meets at least once in every quarter where the Internal Auditors and the Management of the Bank are present.

## **COMMUNICATION WITH STAKEHOLDERS**

The Bank recognises the importance of maintaining transparency and accountability to its stakeholders. The Bank practises the provision of clear, transparent, comprehensive and timely information to its investors in order to facilitate informed investment decision making by its investors.

The Bank is a wholly-owned subsidiary of Alliance Financial Group Berhad (“AFG”), a public company listed on the Main Market of Bursa Malaysia Securities Berhad. The AGM of AFG is an important forum for communication and dialogue with shareholders. The shareholders will have the opportunities to raise questions on the Bank and the Directors and Senior Management of the Bank would be available to address to any questions raised.

The Group keeps the market and investors apprised of the Group’s corporate developments and financial performance through regular media releases, briefings and meetings with media, analysts and fund managers. Analysts’ briefings are conducted and press statements issued in conjunction with the release of the quarterly financial results of AFG. The Group embarked on regular roadshows and has dialogues with local and international stockbroking and research houses. The analysts’ briefings, roadshows and dialogues keep the investment community informed on the progress and development of the business activities of the Group and provide an avenue for the Group to receive feedback from potential investors.

Investors, stakeholders and the public may access the Bank’s website at [www.alliancebank.com.my](http://www.alliancebank.com.my) for information.

This Corporate Governance Statement is made in accordance with a resolution of the Board of Directors dated 24 June 2015.