



ALLIANCE BANK

Alliance Bank Malaysia Berhad (88103-W)

**CORPORATE GOVERNANCE STATEMENT
FOR THE FINANCIAL YEAR ENDED
31 MARCH 2016**



CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Alliance Bank Malaysia Berhad (“ABMB” or “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 is guided by the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 (“the Code”).

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 maximize 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.

Every Director has the right to resources, whenever necessary and reasonable, for the performance of his duties at the cost of the Bank. Directors may seek external independent professional advice at the expense of the Bank, to assist them in making well-informed decisions whether as a full Board or in their individual capacity.

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, including finance, accounting, legal, business management, banking, information technology and investment management for the effective functioning and discharging of the responsibilities of the Board.

As at 31 March 2016, the Board comprises seven (9) Non-Executive Directors, six (6) of whom are Independent. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

The six (6) Independent Non-Executive Directors are free from any association or circumstances that may impair their exercise of independent judgement. They ensure a strong element of independence on the board, both in thought and actions.

The members of the Board as at 31 March 2016 are as follows:

- (i) Dato' Thomas Mun Lung Lee (Independent Non-Executive Director/ Chairman)
- (ii) Kung Beng Hong (Non-Independent Non-Executive Director)
- (iii) Lee Ah Boon (Non-Independent Non-Executive Director)
- (iv) Ou Shian Waei (Independent Non-Executive Director)
- (v) Tan Yuen Fah (Independent Non-Executive Director)
- (vi) Kuah Hun Liang (Independent Non-Executive Director)

- (vii) Datuk Wan Azhar Bin Wan Ahmad (Independent Non-Executive Director)
(appointed on 7 April 2015)
- (viii) Lee Boon Huat (Independent Non-Executive Director)
(appointed on 7 April 2015)
- (ix) Ho Hon Cheong (Non-Independent Non-Executive Director)
(appointed on 26 August 2015)

Subsequent to the financial year end, an additional Independent Non-Executive Director, namely Thayaparan A/L S. Sangarapillai was appointed on 10 May 2016. The profiles of each of the members of the Board are available on the Bank's corporate website at www.alliancebank.com.my.

4. Boardroom Diversity Policy

While the Bank does not have a formal boardroom diversity policy, the Board takes cognizance of the boardroom diversity policy published in the Code. In reviewing Board composition, Group Nominating Committee ("Group NC") and the Board will consider the benefits of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates for appointment to the Board, Group NC and the Board will consider candidates on merit and with due regard for the benefits of diversity on the Board. The Board is of the view that, while it is important to promote boardroom diversity, the normal selection criteria based on an effective blend of competencies, skills, extensive experience and knowledge to strengthen the Board should remain a priority.

5. 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 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 and competency 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.

6. Directors' Independence and Tenure

The Group NC considers a strong element of independence on the Board vital for good corporate governance and it performs annual reviews of the independence of the Directors.

An Independent Non-Executive 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. In the annual assessment of the Independent Directors of the Bank in respect of financial year ended 31 March 2016, 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 or the ability to act in the best interest of the Bank, and that each of them continues to fulfill the definition of independence as set out in Part 2.26 of BNM CG Guidelines.

The Bank has adopted a 9-year policy for tenure of Independent Directors, which is implemented on a gradual basis to ensure continued effective functioning of the Board as well as to enable the progressive refreshing thereof, in line with good corporate governance practices. The Bank's Board Charter provides, in essence, that the tenure of an independent director shall not exceed a cumulative term of 9 years. Upon completion of the 9 years, an independent director may continue to serve on the board subject to the director's re-designation as non-independent director. In the event the Board retains a person who has served in that capacity for more than 9 years as an independent director, the Board must justify and seek BNM and shareholders' approval respectively.

Mr. Tan Yuen Fah, who was appointed to the Board of the Bank on 18 March 2008, has also served the Group for more than 9 years as an Independent Director.

The Board is satisfied with the skills, contributions and independent judgments that Mr. Tan Yuen Fah brings to the Board. In view thereof, the Board recommends and supports his retention as an Independent Director which will be tabled for shareholder's approval at the forthcoming AGM.

Dato' Thomas Mun Lung Lee, who was appointed to the Board of the Bank on 21 April 2006, will retire at the conclusion of the forthcoming AGM of the Bank after serving the Board for 10 years and 3 months.

7. 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.

8. Company Secretary

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively.

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.

9. 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, video conferencing or other means of telecommunication 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. The Directors may request to be furnished with additional information or clarification. Relevant Senior Management Officers 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 or laptops. 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.

All Directors have demonstrated that they are able to allocate sufficient time to the Bank to discharge their duties and responsibilities, and their commitment is affirmed by their attendance at the Board meetings held during the financial year ended 31 March 2016, as reflected below:

	Board Members	Meetings attended/ held
1.	Dato' Thomas Mun Lung Lee (Independent Non-Executive Director/Chairman)	14/16
2.	Kung Beng Hong (Non-Independent Non-Executive Director)	16/16
3.	Lee Ah Boon (Non-Independent Non-Executive Director)	16/16
4.	Ou Shian Waei (Independent Non-Executive Director)	16/16
5.	Tan Yuen Fah (Independent Non-Executive Director)	16/16
6.	Kuah Hun Liang (Independent Non-Executive Director)	16/16
7.	Datuk Wan Azhar Bin Wan Ahmad (Independent Non-Executive Director) (appointed on 7 April 2015)	16/16
8.	Lee Boon Huat (Independent Non-Executive Director) (appointed on 7 April 2015)	16/16
9.	Ho Hon Cheong (Independent Non-Executive Director) (appointed on 26 August 2015)	9/9

10. 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 individually by every Director. 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 2016, 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.

11. 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 Bank 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 organized by professional bodies and regulatory authorities as well as those conducted in-house, included the following:

- Singapore Forum: Asia and the World – New Growth, New Strategies
- FIDE Forum: Invitation to Industry Consultation
- FIDE Forum: Impact of the New Accounting Standard on Banks – What Directors should be aware of
- FIDE Forum: Board's Strategic Leadership: Innovation & Growth in Uncertain Times
- FIDE Forum: Board Leading Change: Organizational Transformation Strategy as Key to Sustainable Growth in Challenging Times
- Capital Market Director Programme
- FIDE Forum: Advanced Risk Governance & Risk Management
- FIDE Forum: Beyond Compliance to Growth – Board's Strategy in Cultivating Real Growth within a Conducive Governance Environment
- CG Breakfast with Directors: Board Reward & Recognition
- Board Briefing by PricewaterhouseCoopers on the following topics:
 - Understanding AML/CFT Risks
 - Social Media Governance
 - South East Asian Banking: Perfect Storm, A Case for Change
 - MFRS 9 "Financial Instruments"
- FIDE Forum: Directors' Remuneration Report 2015
- FIDE Forum: Invitation – Focus Group Discussion in Preparation for Dialogue with BNM's Senior management
- FIDE Forum: Cyber-Risk Oversight
- FIDE Forum: Industry Briefing on Directors Register Implementation
- FIDE Core Programme (Module A)
- In-house Director's Orientation Programme (for ABMB new Directors)

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.

12. 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.

During the financial year ended 31 March 2016, thirteen (13) EXCO meetings were held. The attendance of members of EXCO is as reflected below:

	Members	Meetings attended/ held
1.	Lee Ah Boon (Chairman)	13/13
2.	Kung Beng Hong	13/13
3.	Datuk Wan Azhar Bin Wan Ahmad (appointed on 1 July 2015)	10/10
4.	Lee Boon Huat (appointed on 1 July 2015)	9/10
5.	Ou Shian Waei (stepped down on 1 July 2015)	3/3

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

The Group NC was set up to provide a formal and transparent procedure for the appointment of Directors, 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. The Group NC meets at least once a year and is directly accountable to the Board on matters relating to AIS.

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 receive an appropriate continuous training program 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 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");
- 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; and
- To conduct exit interview on all resignations of Senior Management and other critical positions who are listed as Key Responsible Persons of the Group.

As at 31 March 2016, 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 2016, eighteen (18) Group NC meetings were held. The attendance of members of Group NC is as reflected below:

	Members	Meetings attended/ held
1.	Datuk Wan Azhar Bin Wan Ahmad ¹ (Chairman) (appointed on 1 July 2015)	13/14
2.	Dato' Thomas Mun Lung Lee ¹	18/18
3.	Megat Dziauddin Bin Megat Mahmud ¹	16/18
4.	Kung Beng Hong ²	18/18
5.	Lee Ah Boon ²	15/18
6.	Ou Shian Waei ¹ (stepped down on 1 July 2015)	4/4

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 and Senior Management Officers of the Group as well as developing disciplinary and recruitment policies and assessing the performances of the Group CEO and Senior Management Officers and ensuring that compensation stays competitive and consistent with the Group’s culture, objectives and strategy. In addition, to be 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 AIS.

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

- To recommend a framework of remuneration for Directors, Group CEO and Senior Management Officers for the full Board’s approval. The remuneration framework should support the Group’s culture, objectives and strategy and should reflect the responsibility and commitment, which goes with the Board membership and responsibilities of the Group CEO and Senior Management Officers. There should be a balance in determining the remuneration package, which should be sufficient to attract and retain the employees and/or Directors of caliber, and yet not excessive. The framework should cover all aspects of remuneration including Director’s fees, salaries, allowances, bonuses, share options and benefits-in-kind;
- To provide oversight on remuneration matters and to recommend specific remuneration packages for the Executive Director(s) and Group CEO. The remuneration package should be structured such that it is competitive and consistent with the Group’s culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for Non-Executive Directors and Independent Directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board;
- To review the remuneration of Non-Executive Directors of the Group for recommendation to the Board for approval;
- To review the Group’s succession plan to ensure orderly transition and succession of Senior Management Officers;
- To approve remuneration arrangements for new appointments, transfers and promotions of Senior Management Officers and conduct annual fit and proper assessment on them in accordance with the Policy on Fit and Proper;
- To assess Group’s Balanced Scorecard and provide oversight on performance assessment of Senior Management Officers;
- To approve compensation of Senior Management Officers based on recommendation from Group CEO;
- To endorse annual compensation guidelines, short-term incentive and long term incentive plan for Board’s approval;
- To serve as a panel member (any one member) in the Group’s Disciplinary Panel for employees who are Senior Management Officers. The full Committee hears appeals from employees of this category;

- To recommend to the Board the removal of Senior Management Officers if they are ineffective, errant and negligent in discharging their responsibilities;
- To provide oversight on Human Capital policies and strategies of the Group; and
- To recommend the remuneration of the Shariah Committee members for the full Board's approval. The remuneration shall commensurate and reflect the roles and responsibilities of the Shariah Committee.

As at 31 March 2016, the Group MDRC comprises five (5) members, all of whom are Non-Executive Directors with three (3) members being independent. The Group MDRC is chaired by an Independent Director.

During the financial year ended 31 March 2016, eleven (11) Group MDRC meetings were held. The attendance of members of Group MDRC is as reflected below:

	Members	Meetings attended/ held
1.	Ou Shian Waei ¹ (Chairman) (appointed on 1 July 2015)	7/7
2.	Dato' Thomas Mun Lung Lee ¹	10/11
3.	Lee Ah Boon ²	11/11
4.	Kung Beng Hong ²	11/11
5.	Lee Boon Huat ¹ (appointed on 1 July 2015)	6/7
6.	Megat Dziauddin bin Megat Mahmud ¹ (stepped down on 1 July 2015)	4/4

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 Boards of Alliance Bank Malaysia Berhad, Alliance Investment Bank Berhad and AIS on matters relating to the respective entities. As at 31 March 2016, the Group AC comprises the following members:

- Tan Yuen Fah (Chairman)
- Ou Shian Waei
- Kuah Hun Liang
- Datuk Wan Azhar Bin Wan Ahmad
- Ho Hon Cheong

During the financial year ended 31 March 2016, nine (9) Group AC meetings were held. The attendance of members of Group AC is as reflected below:

	Members	Meetings attended/ held
1.	Tan Yuen Fah ¹ (Chairman) (appointed on 1 July 2015)	6/6
2.	Datuk Wan Azhar Bin Wan Ahmad ¹ (appointed on 1 July 2015)	6/6
3.	Kuah Hun Liang ¹ (appointed on 1 July 2015)	6/6
4.	Ou Shian Waei ¹	9/9
5.	Ho Hon Cheong ² (appointed on 24 August 2015)	4/4
6.	Megat Dziauddin Bin Megat Mahmud ¹ (stepped down on 1 July 2015)	3/3
7.	Kung Beng Hong ² (stepped down on 1 July 2015)	3/3

Notes:

¹ Independent Non-Executive Director.

² Non-Independent Non-Executive Director.

Details of the Terms of Reference and the summary of the activities of the Group AC during Financial Year Ended 31 March 2016 are set out 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 is directly accountable to the Board and its primary functions include:

- Reviewing risk management strategies, policies and risk tolerance;
- 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, i.e. ensuring that the staff 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 2016, thirteen (13) Group RMC meetings were held. The attendance of members of Group RMC member is as reflected below:

	Members	Meetings attended/ held
1.	Kuah Hun Liang ¹ (Chairman)	13/13
2.	Dato' Majid Bin Mohamad ¹ (appointed on 1 July 2015)	9/9
3.	Lee Boon Huat ¹ (appointed on 1 July 2015)	9/9
4.	Premod Paul Thomas ¹ (Appointed on 1 July 2015)	8/9
5.	Ho Hon Cheong ² (appointed on 26 August 2015)	7/7
6.	Tan Yuen Fah ¹ (stepped down on 1 July 2015)	4/4
7.	Kung Beng Hong ² (stepped down on 1 July 2015)	4/4
8.	Ou Shian Waei ¹ (stepped down on 1 July 2015)	4/4

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 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 the 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 2016, six (6) Group ITSC meetings were held. The attendance of members of Group ITSC member is as reflected below:

	Members	Meetings attended/ held
1.	Kung Beng Hong ² (Chairman)	6/6
2.	Ou Shian Waei ¹	5/6
3.	Dato' Majid Bin Mohamad ¹ (appointed on 1 July 2015)	5/5

Notes:

¹ Independent Non-Executive Director.

² Non-Independent Non-Executive Director.

13. Shariah Committee

The Shariah Committee comprises the following members who have the necessary qualification, knowledge, expertise and experience in Islamic banking industry. Four (4) of the Shariah Committee members have the necessary qualification in the following areas, inter-alia:

- (i) Principle of Islamic Jurisprudence (Usul al-Fiqh); and
- (ii) Islamic Law of Transactions (Fiqh al-Muamalat).

Associate Professor Dr. Badruddin Bin Hj Ibrahim (Chairman)

Associate Professor Dr. Badruddin was appointed as a Shariah Committee member of AIS on 15 June 2009. His current appointment is as Deputy Dean (Academic Affairs), Ahmad Ibrahim Kulliyah of Law (AIKOL), International Islamic University of Malaysia (IIUM). While he specializes in the Islamic Law of Trust, and Islamic Law of Property, he is also experienced in Islamic Jurisprudence and Islamic Family Law, having taught such subjects in IIUM for over a decade.

As an academia, he actively pursue his thirst for knowledge by conducting many research activities under IIUM, his most recent research project is "Transaction Involving Unlawful Wealth Under Islamic Law". Much of his work has been presented publicly in academic institutions and conferences in Malaysia, the UK, Indonesia and Russia. In recent years, he has channeled his expertise and passion into organizing a myriad of Islamic Law-related conferences, conventions, and seminars.

He possesses a PhD in Islamic Law of Trust, Islamic Law of Property from IIUM, Malaysia. His Masters and Degree of Shariah and Law were obtained from the International Islamic University (IIU) of Islamabad, Pakistan.

Dr. Abdul Rahman Bin Awang

On 1 April 2005, Dr. Abdul Rahman was appointed as a Shariah Committee member of AIS. He brings with him over 30 years of experience in Islamic Law, having worked in various universities in Malaysia. His last position before retiring was an Associate Professor at Department of Islamic Law, International Islamic University Malaysia (IIUM).

With such credentials, and experiences, he was highly sought after to attend, present, and speak in numerous conferences that are related to his specialized field of Islamic Law around the world. He has also made several appearances in television programs on Malaysian national television as a speaker and panelist regarding Islamic Law issues.

He possesses a PhD in Islamic Law from the University of Edinburgh, Scotland, UK. Prior to that, he has obtained a Master of Laws (Comparative Laws) from Temple University, Philadelphia, USA and a Shariah and Law Degree from Al-Azhar University in Cairo, Egypt.

Tuan Haji Md Ali Bin Md Sarif

Tuan Haji Md Ali was appointed as a Shariah committee member of AIS on 1 April 2011. He is currently a distinguished academic fellow of the Institute of Islamic Banking and Finance (IIBF), International Islamic University Malaysia. Prior to joining IIBF in 2008, he was with 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.

He holds a Bachelor of Economics Degree from University Malaya and an MBA (Finance) from University Kebangsaan Malaysia.

Ustaz Zaharudin Bin Muhammad

Ustaz Zaharudin was appointed as a Shariah Committee member of AIS on 1 April 2009. He is currently the Chief Religious Officer of Kumpulan Perangsang Sdn. Bhd and sole proprietor for ASZA-HT Trading Sdn Bhd.

He obtained his Masters on Islamic Economy and Jurisprudence from the University of Cairo, Egypt (1st class, graduated in top 10). He has also obtained a Bachelor in Islamic Jurisprudence from the Al-Azhar University Cairo with 1st class amongst foreign students.

Furthermore, he has written several books and articles related to his specialized field of Islamic Jurisprudence. He has since published five more field-related books.

Dr. Azrul Azlan Bin Iskandar Mirza

Dr. Azrul Azlan was appointed as a member of Shariah Committee for AIS on 1 April 2015. He studied at the Al-Azhar University (Egypt) where he obtained a Bachelor in Shariah. He holds a Masters in Management from the International Islamic University of Malaysia (IIUM) and PhD in Islamic Finance from the International Centre for Islamic Finance (INCEIF).

He is currently attached to the Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM) as Head of Islamic Banking & Finance Program. His fields of specialization are Shariah, Islamic finance and investment analysis. He is also a Fellow Researcher at Malaysian Muamalah Educator Association, Technical Expert for SIRIM MS1900 Shariah Based QMS and Fatwa Researcher for Mufti Council for State of Negeri Sembilan.

Previously he was a Shariah Committee member for KAF Investment Bank Berhad and OSK Investment Berhad.

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 AIS's products, services and activities;

- Assessing the work carried out by Shariah Review and Shariah Audit in order to ensure compliance with Shariah matters;
- Advising AIS on the computation and distribution of Zakat;
- Assisting and advising related parties such as AIS's legal counsel, auditor or consultant on Shariah matters upon request;
- Advising AIS 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 AIS's compliance with all SAC's decisions; and
- Reviewing the Shariah Non-Compliance and Potential Shariah Non-Compliance of AIS.

During the financial year ended 31 March 2016, fourteen (14) meetings were held. The attendance of members of Shariah Committee is as reflected below:

	Members	Meetings attended/ held
1.	Assoc. Prof. Dr. Badruddin Bin Hj Ibrahim (Chairman)	13/14
2.	Dr. Abdul Rahman Bin Awang	14/14
3.	Md Ali Bin Md Sarif	14/14
4.	Ustaz Zaharudin Bin Muhammad	12/14
5.	Dr. Azrul Azlan Bin Iskandar Mirza	14/14

The Board had assessed the fitness and propriety of each of the Shariah Committee members and was satisfied with the fitness and propriety of each of them.

14. Remuneration Policy

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

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.

Non-Executive Directors 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 organization 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 recognizes 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 Officers 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 for information.

This Corporate Governance Statement is made in accordance with a resolution of the Board of Directors dated 28 June 2016.