



# CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

# **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : ABMB 2488  
**COMPANY NAME** : Alliance Bank Malaysia Berhad  
**FINANCIAL YEAR** : March 31, 2018

## **OUTLINE:**

### **SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE**

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### **SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA**

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

## SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

*Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.*

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.1

The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors (Board) of Alliance Bank Malaysia Berhad (Alliance Bank or the Bank) has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank and for ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Bank and its customers, officers and the general public.</p> <p>The key responsibilities of the Board are set out below:</p> <ul style="list-style-type: none"><li>(a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;</li><li>(b) oversee the selection, performance, remuneration and succession plans of the Chief Executive Officer (CEO), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank;</li><li>(c) oversee the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;</li><li>(d) promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;</li><li>(e) promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;</li><li>(f) oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and</li><li>(g) promote timely and effective communication between the Bank and Bank Negara Malaysia (BNM) on matters affecting or that may affect the safety and soundness of the Bank.</li></ul>

<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.2

A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is led by the Chairman, Tan Sri Dato' Ahmad bin Mohd Don, who is an Independent Non-Executive Director. He is responsible for the effective overall functioning of the Board.</p> <p>In fulfilling his role, the Chairman:</p> <ul style="list-style-type: none"><li>(a) ensures that appropriate procedures are in place to govern the Board's processes;</li><li>(b) ensures that decisions are taken on a sound and well-informed basis, including by ensuring that all strategic and critical issues are considered by the Board, and that Directors receive the relevant information on a timely basis; and</li><li>(c) encourages healthy discussion and ensures that dissenting views can be freely expressed and discussed.</li></ul>
<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.3

The positions of Chairman and CEO are held by different individuals.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Tan Sri Dato' Ahmad bin Mohd Don is the Chairman of the Board and Mr Joel Kornreich is the Group CEO.</p> <p>The roles of the Chairman of the Board and the Group CEO are separated consistent with the principles of corporate governance to institute an appropriate balance of power and authority.</p> <p>The Chairman, in leading the Board, is responsible for the effective overall function of the Board. He maintains a close professional relationship with the Group CEO and his Senior Management team and acts as mentor as required. He chairs Board meetings, and concerns himself with the good order and effectiveness of the Board and its processes.</p> <p>The Group CEO, in leading the Senior Management, provides leadership, strategic vision, high-level business judgment and wisdom, and the responsibility to meet immediate performance targets without neglecting longer-term growth opportunities of the Bank.</p> <p>The key roles of the Group CEO, amongst others, include:</p> <ul style="list-style-type: none"><li>• Developing the strategic direction of the Bank;</li><li>• Ensuring that the Bank's strategies and corporate policies are effectively implemented;</li><li>• Ensuring that Board decisions are implemented and Board directions are responded to;</li><li>• Providing directions in the implementation of short and long term business plans;</li><li>• Providing strong leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees;</li><li>• Keeping Board fully informed of all important aspects of the Bank's operations and ensuring that sufficient information is distributed to Board members; and</li><li>• Ensuring the day-to-day business affairs of the Bank are effectively managed.</li></ul>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.4

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is supported by a qualified and competent Company Secretary with over 25 years of experience in the corporate secretarial function. He is an Associate member of the Malaysian Institute of Chartered Secretaries &amp; Administrators. He holds a Master of Business Administration in Finance from University Putra Malaysia and a Master of Advanced Business Practice from University of South Australia.</p> <p>The Company Secretary provides counsel to the Board on corporate governance matters and advocates the adoption of corporate governance best practices; renders effective support to the Chairman of the Board/Board Committees and Directors in the discharge of their roles and responsibilities; and facilitates effective communication of decisions and policies made by the Board/Board Committees to the Management. The Company Secretary also ensures Board procedures; applicable rules and regulations; and relevant laws are complied with.</p> <p>The Company Secretary keeps abreast with changes in relevant laws; rules and regulations; and industry development through continuous training and regular interaction with various stakeholders and industry peers.</p> <p>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.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

### Practice 1.5

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board meets on a scheduled basis to review progress reports on the Bank's business and financial performance; approve budget, 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 are held to deliberate urgent corporate proposals or issues which require the Board's immediate consideration and decision. The Board also meets without presence of Management as and when it is required.</p> <p>All Directors are supplied with information on a timely manner. The agenda for each Board/Board Committee meeting, together with detailed reports and proposal papers are circulated to the Directors for their prior reading at least three clear days before the relevant Board and Board Committees' meetings to provide sufficient time for the Board members to review, consider and obtain further information if required. Urgent proposals can be presented less than three clear days subject to approval of the Chairman of the Board/Board Committees.</p> <p>Senior Management and advisors are invited to attend Board/Board Committees meetings, where necessary, to provide the Board/Board Committees with detailed explanations and clarifications on proposals tabled to enable the Board/Board Committees to make informed decisions.</p> <p>The Board may also at anytime interact directly with, or request further explanation, information or updates on any aspect of the Bank's operations or business concerns from the Management.</p> <p>The Bank has implemented paperless meetings where board materials are uploaded to a secured board server 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 Bank's corporate responsibility in line with environmental initiatives by reducing its paper consumption.</p>

	<p>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.</p> <p>Minutes of Board and Board Committees' meetings are circulated to the Board members in a timely manner for their review to ensure that the minutes accurately record the deliberations and decisions of the Board and Board Committees.</p>			
<b>Explanation for departure</b>	:			
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>				
<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

**Intended Outcome**

There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

**Practice 2.1**

The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–

- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Board Charter that clearly sets out the mandates, responsibilities and procedures of the Board including the matters reserved for the Board's decision.</p> <p>The Board has established various Board Committees to assist and complement the Board in the execution of its responsibilities. These Board Committees operate within clearly defined roles and responsibilities as set out in the Board Charter as well as in the terms of reference of each of the committees.</p> <p>The Board's approach is that major policy decisions are matters for the Board as a whole. The matters reserved for the Board's decision include, among others, key proposals/issues relate to strategy and management, group structure and capital, financial reporting and controls, communication with stakeholders, Board membership and appointments of Group CEO, remuneration, delegation of authority, etc.</p> <p>To assist with their respective fiduciary duties and responsibilities, the roles of the Chairman, Senior Independent Non-Executive Director, Non-Executive Director and CEO are identified and set out in the Board Charter.</p> <p>The Board Charter is reviewed from time to time and updated in line with the needs of the Bank and any changes in regulations to ensure its continual relevance to the Board. The Board Charter was last reviewed/revised by the Board on 31 May 2018 to incorporate the relevant amendments in line with the latest regulatory development.</p> <p>The Board Charter is published on the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p>

<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.1

The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Bank has a Code of Conduct that sets out the principles and standards of business and ethics conduct required to be observed by the Directors and the employees in order to promote and uphold the highest standard of professionalism and exemplary code of conduct at all times.</p> <p>Core areas of conduct set out in the Code of Conduct include, among others:</p> <ul style="list-style-type: none"><li>(a) compliance with laws, regulations, internal policies and procedures;</li><li>(b) avoidance of conflict of interest;</li><li>(c) misuse of position;</li><li>(d) misuse of information and insider trading;</li><li>(e) reject bribery and corruption;</li><li>(f) respect customer confidentiality and data privacy; and</li><li>(g) stay alert to money laundering, terrorism and fraud.</li></ul> <p>To underscore the importance of adherence to and observance of the Bank's Code of Conduct, our employees refresh their knowledge of the Code of Conduct by way of e-learning annually.</p> <p>The Code of Conduct is published on the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p> <p>The Directors also adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia and the Group's Conflict of Interest Policy for Directors.</p>
<b>Explanation for departure</b>	:	

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<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

### Practice 3.2

The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In line with the Bank's strive for sustained ethical business practices, the Bank has put in place a Whistleblower Policy that is designed to provide a platform for employees to report any misconducts committed or about to be committed, including breaches of any laws, regulations, business principles, policies and guidelines of the Bank; and any possible financial improprieties such as manipulation of financial results, misappropriation of assets, intentional circumvention of internal controls, inappropriate influence on related party transactions by related parties and other improprieties.</p> <p>The Whistleblower Policy is also an avenue for employees to raise concerns in relation to the specific issues that are in the interest of integrity and justice.</p> <p>Employees who utilise the whistleblower platform are ensured of anonymity (if applicable) and are protected against work related retaliation to a certain extent, regardless of whether or not the concerns raised are upheld.</p> <p>In addition to the internal reporting channels, employees are also given information on external reporting channels i.e. BNM and Securities Commission of Malaysia.</p> <p>The Chairman of the Group Nomination &amp; Remuneration Committee (Group NRC), who is the Senior Independent Non-Executive Director, has been appointed to be responsible for the effective implementation of the Whistleblower Policy. The Chairmen of the Board, Group Audit Committee (Group AC) and Group CEO are involved in the whistleblower processes. The Bank Board and the Board of the respective entities are informed of the relevant whistleblower investigation/conclusions.</p> <p>The Bank is also committed to ensuring that third parties are provided an avenue to raise complaints as whistleblowers. To this end, the "ALLIANCE Speak up" Statement, being a whistleblower statement for third parties, has been made available for public viewing and information through the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p>

<b>Explanation for departure</b>	:	
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<b>Measure</b>	:	
<b>Timeframe</b>	:	



**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.1**

At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	<p>The Board comprises 10 members, who are all Non-Executive Directors, seven of whom are Independent Directors.</p> <p>The presence of a majority Independent Non-Executive Directors provides the necessary check and balances to ensure that the interests of all shareholders and the general public are given due consideration in the decision-making process.</p> <p>Independent Non-Executive Directors are not involved in the day-to-day management of the Bank nor participate in any of the Bank's business dealings to ensure they remain free of any conflict of interest to undertake their roles and responsibilities as Independent Directors effectively.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.2

The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should justify and seek annual shareholders' approval. If the board continues to retain the independent director after the twelfth year, the board should seek annual shareholders' approval through a two-tier voting process.

<b>Application</b>	:	Not applicable - No independent director(s) serving beyond 9 years	
<b>Explanation on application of the practice</b>	:	<p>The Board Charter provides that the tenure of an independent director shall not exceed a cumulative term of nine years. Upon completion of nine years, an independent director may continue to serve on the Board subject to the director being re-designated as non-independent director.</p> <p>In the event the Board retains an Independent Director who has served as an independent director for more than nine years, the Board will provide the justification and seek the approvals of BNM and the shareholders of the Bank accordingly.</p>	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.3 - Step Up**

The board has a policy which limits the tenure of its independent directors to nine years.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.4

Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group NRC is responsible for assessing the appointment of new Directors, Shariah Committee members, members of Senior Management (other than the Group Chief Risk Officer, Group Chief Compliance Officer and Group Chief Internal Auditor) and the Company Secretary. The appointment of Group Chief Risk Officer and Group Chief Compliance Officer; and Group Chief Internal Auditor are assessed by the Group Risk Management Committee and Group AC respectively.</p> <p>In evaluating any new appointment, the Group NRC looks for diversity of skills, knowledge, experience and gender of the candidates. To ensure a candidate has the character, experience, integrity and competency to effectively discharge his/her role as a Director, the Group NRC will assess the candidates on the following criteria:</p> <ul style="list-style-type: none"><li>(a) not be disqualified under section 59(1) of the Financial Services Act, 2013;</li><li>(b) comply with the fit and proper requirements of the Bank;</li><li>(c) not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;</li><li>(d) not be an active politician;</li><li>(e) not be a partner of a firm which has been appointed as the external auditors of the Bank or any of the firm's officers directly involved in the engagement until at least two years after – (a) he/she ceases to be an officer or partner of that firm; or (b) the firm last served as an auditor of the Bank; and</li><li>(f) at a minimum holds a degree qualification and/or other equivalent qualification(s) and at least 5 years senior managerial position.</li></ul> <p>All Directors, Shariah Committee members, Senior Management and the Company Secretary are assessed annually to ensure that they continue to satisfy the required standard for fitness and propriety on a continuing basis including compliance with internal policies and procedures.</p>
<b>Explanation for departure</b>	:	

*Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.*

<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.5

The board discloses in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. For Large Companies, the board must have at least 30% women directors.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>In evaluating the appointment of new Directors as well as Group Board Succession Plan, the Group NRC and the Board have taken steps to ensure that women candidates are given priority consideration in the selection and recruitment process of directors towards achieving the gender diversity target of 30% women participation. However, the Board is of the view that, while it is important to promote board gender 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.</p> <p>As the composition of the Board presently does not have any woman Director, the Board has expedited the search for women candidates to be appointed to the Board in 2018.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	Group NRC has been actively identifying potential women candidates from all relevant sources such as LEAD Women and FIDE Forum's Directors Register to facilitate the appointment of women directors to the Board.
<b>Timeframe</b>	:	31 December 2018

### Intended Outcome

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

### Practice 4.6

In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group NRC is guided by the Group Board Succession Plan in identifying potential candidates for nomination as Director.</p> <p>In accordance with the Group Board Succession Plan, other than relying on recommendations of potential board candidates from existing Directors, officers and major shareholders, the Group NRC also procures suitably qualified candidates for board appointments from external independent sources such as the Directors Register maintained by FIDE Forum and LEAD Women.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

**Practice 4.7**

The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Group NRC is Mr Ou Shian Waei, the Senior Independent Non-Executive Director of the Bank.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		



### Intended Outcome

Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

### Practice 5.1

The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.

For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has implemented an annual performance evaluation process, carried out by the Group NRC, to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.</p> <p>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 as follows:</p> <ul style="list-style-type: none"><li>A. Board Composition/Structure</li><li>B. Board Process</li><li>C. Board Governance</li><li>D. Major Responsibilities of the Board</li></ul> <p>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 NRC's deliberation.</p> <p>The results of the performance evaluation are reviewed and discussed for improvements among Board Members.</p> <p>The Board, through the Group NRC, also assessed the fitness and propriety of the Directors in accordance with the Group's Policy on Fit and Proper.</p> <p>For the financial year under review, an external consultant, the Institute of Corporate Directors Malaysia (ICDM) was engaged to undertake a Board Effectiveness Assessment and Individual Director Evaluation for the Bank. Two sets of structured questionnaires were used to interview the members of the Board and selected Senior Management of the Group to assess the following eight components of board effectiveness:</p> <p>(a) Board Composition</p>

	(b) Board Leadership (c) Board Information (d) Board Dynamics (e) Board Agendas and Meetings (f) Board-Management Relationship (g) Board Committees (h) Board Processes  The first, longer set was used to interview the members of the Board and the second, simpler set of questions was use to interview the Senior Management.  The Board Effectiveness Assessment results were tabled to the Board while the results of the Individual Director Evaluation were presented to members of the Board on a one-to-one basis by the consultant. The suggested improvements highlighted by ICDM are considered by the Board for improvement, where necessary.			
<b>Explanation for departure</b>	:			
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<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.1

The board has in place policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The policies and procedures are periodically reviewed and made available on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Non-Executive Directors</b></p> <p>The objective of the Group's Policy on Directors' remuneration is to attract and retain Directors needed to steer the Bank towards achieving its goals effectively. The determination of the Non-Executive Directors' remuneration is a matter for the Board as a whole. The level of remuneration of Non-Executive Directors is linked to their level of responsibilities.</p> <p>All Non-Executive Directors are paid fixed annual director fees and meeting attendance allowance for each Board or Board Committee meeting attended. In addition, Non-Executive Directors also receive other benefits including Directors &amp; Officers Liability Insurance, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his duty of trust.</p> <p><b>Senior Management</b></p> <p>The Bank has established a Compensation Policy that governs the design and management of remuneration for employees. The Compensation Policy is elaborated in Section B of this Corporate Governance Report.</p> <p>The Compensation Policy is reviewed and endorsed by the Group NRC and approved by the Board on a periodic basis and whenever material changes are required. The last review was completed in 2017 to incorporate requirements from BNM Policy Document on Corporate Governance. The Compensation Policy review also includes input from Risk and Control functions. The Board is also supported by external remuneration consultant on new areas of remuneration practices and risk management.</p> <p>The Group NRC and Board also approve the Bank's risk adjusted performance bonus pool, utilisation of the provision for annual salary increments and any long term incentives.</p>

<b>Explanation for departure</b>	:	
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<b>Timeframe</b>	:	

### Intended Outcome

The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

### Practice 6.2

The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has established a Group NRC with the objectives:</p> <p>(a) to support the Board in carrying out its functions in the following matters concerning the Board, Shariah Committee, Senior Management and the Company Secretary:-</p> <ul style="list-style-type: none"><li>• Appointment and removals;</li><li>• Composition of the Boards;</li><li>• Performance evaluation and development; and</li><li>• Fit and proper assessments</li></ul> <p>(b) to support the Board in actively overseeing the design and operation of the Bank's remuneration system; and</p> <p>(c) to periodically review the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.</p> <p>The Terms of Reference of the Group NRC is disclosed on the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.1

There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application	:	Applied	
Explanation on application of the practice	:	The details on the remuneration of the Directors of the Bank received/receivable from the Bank and the Group in respect of the financial year ended 31 March 2018 are disclosed on pages 182 to 186 of the Annual Report 2018.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

### Practice 7.2

The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that such disclosure would not be to the Bank's advantage in view of the competitive market for talents in the financial industry.</p> <p>As an alternative to the recommended disclosures, the remuneration of key management personnel i.e. Group CEO and CEOs of subsidiaries is disclosed on a named basis in the audited financial statements of the Bank for the financial year ended 31 March 2018. Senior Management's remuneration is disclosed on a group basis in Section B of this Corporate Governance Report.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will closely observe the market practice on such disclosures for future consideration.
<b>Timeframe</b>	:	Others.

**Intended Outcome**

Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

**Practice 7.3 - Step Up**

Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	



**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.1**

The Chairman of the Audit Committee is not the Chairman of the board.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	Mr Thayaparan S. Sangarapillai is the Chairman of the Group AC and he is not the Chairman of the Board.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.2

The Audit Committee has a policy that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Terms of Reference of the Group AC sets out, among others, that a former key audit partner of the External Auditors shall observe a cooling-off period of at least two years before being appointed as a member of the Group AC.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

### Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

### Practice 8.3

The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group AC is guided by the Policy on Appointment/Re-Appointment of External Auditors for Audit and Non-Audit Services and the External Auditors Suitability &amp; Independence Assessment Policy in its assessment on the suitability, objectivity, performance, and independence of the External Auditors. These policies have been drawn up with reference to BNM Policy Document on External Auditor.</p> <p>In accordance with the aforesaid policies, the Group AC reviews and assesses the External Auditors' performance, independence and objectivity based on the following factors on an annual basis: -</p> <ul style="list-style-type: none"><li>(a) Qualification criteria;</li><li>(b) Level of knowledge, capabilities, experience and quality of previous work;</li><li>(c) Level of engagement with Board and Group AC;</li><li>(d) Ability to provide constructive observations, implications and recommendations in areas which require improvements;</li><li>(e) Appropriateness of audit approach and the effectiveness of audit planning;</li><li>(f) Ability to perform the audit work within the agreed duration given;</li><li>(g) Independence, Objectivity and Professional Scepticism; and</li><li>(h) Ability to demonstrate unbiased stance when interpreting the standards/policies adopted by the Bank.</li></ul>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

<b>Application</b>	:	Not Adopted
<b>Explanation on adoption of the practice</b>	:	

## Intended Outcome

There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

## Practice 8.5

Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

All members of the Audit Committee should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group AC is led by Mr Thayaparan S. Sangarapillai, who was appointed as Chairman of the Group AC on 18 September 2016. He is qualified as a Chartered Accountant with over 30 years of experience in providing audit and business advisory services to clients in a wide range of industries.</p> <p>Collectively, all the Group AC members have experience and skills in the areas of banking, finance, economic and accounting which have equipped them with the capability to discharge their functions as set out in the Terms of Reference of the Group AC.</p> <p>The Group AC members have attended the following continuous professional development courses to keep themselves abreast of relevant developments during the financial year ended 31 March 2018:</p> <ul style="list-style-type: none"><li>• The Companies Act 2016</li><li>• Sustaining Business Growth With Sound Governance, Risk Management, Internal Control and Compliance</li><li>• FIDE Forum: Efficient Inefficiency: Making Boards Effective in a Changing World</li><li>• FIDE Forum: Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection - Engagement with Potential Directors</li><li>• FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers?</li><li>• Beyond Compliance: Achieving Cyber Resiliency</li><li>• Compliance Conference 2017</li><li>• Bursa-Mandatory Accreditation Programme</li><li>• CG Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World</li></ul>

	<ul style="list-style-type: none"> <li>• FIDE Forum: Navigating the VUCA World by Professor Tan Sri Dato' Lin See-Yan</li> <li>• MIA-SC Workshop on Malaysian Code on Corporate Governance</li> <li>• The Global Symposium on Development Financial Institutions</li> <li>• Strengthening the Roles and Impact of Islamic Finance via Value-based Intermediation (VBI)</li> </ul> <p>The Group AC also receives updates from Management on the new/revised financial reporting standards. During the financial year under review, the Group AC was constantly updated on the Bank's readiness to implement Malaysian Financial Reporting Standard 9 (MFRS 9) and the simulations conducted on the financial results in their preparation leading to such implementation.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.1

The board should establish an effective risk management and internal control framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>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.</p> <p>On-going reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls.</p> <p>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 Regulators 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.</p> <p>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:</p> <ul style="list-style-type: none"><li>• 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;</li><li>• Clearly defined delegation of responsibilities to Committees of the Board and to Management including organisation structures and appropriate authority levels;</li><li>• A code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;</li></ul>

	<ul style="list-style-type: none"> <li>• A proper procedure to control applications and the environment of computer information systems;</li> <li>• Regular update of internal policies and procedures to reflect changing risks or resolve operational deficiencies; and</li> <li>• 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.</li> </ul> <p>Further details on the Bank's Risk Management Framework and Internal Control System are explained in the Statement on Risk Management and Internal Control and Risk Management Report in the Annual Report 2018.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.2

The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Board has disclosed the Risk Management Framework and Internal Control System in the Statement on Risk Management and Internal Control and Risk Management Report in the Annual Report 2018.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

### Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

### Practice 9.3 - Step Up

The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has established a Group Risk Management Committee (Group RMC) comprising a majority of Independent Directors.</p> <p>The Group RMC oversees 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 and is directly accountable to the Board.</p> <p>Its primary functions include:</p> <ul style="list-style-type: none"><li>• Reviewing risk management strategies, policies and risk tolerance.</li><li>• Reviewing and assessing adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling the extent to which these are operating effectively.</li><li>• 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.</li><li>• Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities.</li><li>• Ensuring that adequate time and priority is provided in the agenda to deliberate compliance issues to ensure that such issues are resolved effectively and expeditiously.</li></ul> <p>A Group Risk Management Report, which provides an overview of the risk management framework within the Group, is available on the corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p>

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.1

The Audit Committee should ensure that the internal audit function is effective and able to function independently.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The purpose, authority, scope, independence and responsibilities of Group Internal Audit (GIA) is provided in the Internal Audit Charter, which is approved by the Group AC.</p> <p>The Group Chief Internal Auditor (GCIA) reports functionally to the Group AC and administratively to the Group CEO.</p> <p>To ensure effectiveness of the GIA, the Group AC is empowered by its Terms of Reference to:</p> <ul style="list-style-type: none"><li>- oversee the Internal Audit function and ensure compliance with requirements of regulators;</li><li>- appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the GCIA;</li><li>- ensure the compensation scheme of the internal auditors is consistent with the objectives and the demands of the internal audit function;</li><li>- ensure the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness; and</li><li>- be able to convene meetings with the internal auditors, excluding the attendance of other Directors and employees of the Bank and its subsidiaries.</li></ul> <p>The Group AC also reviews and approves the GIA's annual audit plan.</p> <p>Details of the Group AC's oversight over the GIA function are disclosed in the Group AC Report in the Annual Report 2018.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

## Practice 10.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><u>Independence of Group Internal Audit Personnel</u></p> <p>GIA is an independent appraisal function set up by the Board to objectively examine and evaluate the Bank's activities; and make recommendations to improve the effectiveness of the risk management and governance processes, internal control &amp; compliance framework and information systems.</p> <p>GIA function is guided by the Internal Audit Charter which sets out the purpose, authority, scope, independence and responsibilities of GIA function. The Internal Audit Charter is endorsed by the Group AC and approved by the Board.</p> <p>To maintain objectivity and independence, the GCIA is responsible to the Group AC and Board. The appointment, remuneration, performance appraisal, transfer and dismissal of the GCIA are to be decided by the Group AC. GIA personnel do not have any authority or responsibility for the activities they audit. They are required to report to the GCIA any situation in which a conflict of interest or bias is present or may reasonably be inferred. Assignments are allocated so that potential and actual conflicts and bias are avoided.</p> <p><u>Group Internal Audit Resources</u></p> <p>As at 31 March 2018, GIA has 33 audit personnel.</p> <p><u>Group Chief Internal Auditor</u></p> <p>The GIA function is headed by Ms Leong Sow Yoke. She has more than 30 years of external and internal audit experience that includes general and information systems audit. Ms Leong is a Fellow of the Association of Chartered Certified Accountants (FCCA), a Chartered Accountant with the Malaysian Institute of Accountants, a Certified Information Systems Auditor (CISA) and Certified in Risk and Information Systems Control (CRISC). In 2015, Ms Leong was conferred the title "Chartered Banker" by the Asian Institute of Chartered Banker and the Chartered Banker Institute (UK). Details of her qualification and working experience are set out in the Senior Management section in Alliance Bank's Annual Report 2018.</p>

	<u>Internal Audit Framework</u> GIA's processes and activities are governed by Internal Audit Charter and GIA Policy Manual established by the Group AC and regulatory guidelines as well as the International Standards for the Professional Practices Framework (Standards) issued by the Institute of Internal Auditors (IIA). It undergoes periodic External Quality Assurance Review to ensure general conformity with the Standards.	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.1

The board ensures there is effective, transparent and regular communication with its stakeholders.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of regular communication with shareholders and investors and endeavours to maintain constant and effective communication with them through timely and comprehensive announcements in order to facilitate informed investment decision making by the shareholders and investors.</p> <p>The Board regards the Annual General Meeting (AGM) as an opportunity to communicate directly with shareholders and encourages shareholders' attendance and participation. Shareholders who are unable to attend the AGM may appoint proxies to attend and vote at the AGM on their behalf. Shareholders and their proxies are given the opportunities to raise questions on the Bank and the Directors and Senior Management Officers of the Bank are available to address any questions raised. Matters requiring shareholders' approval including but not limited to re-election of Directors, remuneration of Directors, appointment of external auditors, amendment to the Bank's Constitution, authorisation to issue additional shares, transfer of all or substantially all assets of the Bank, etc.</p> <p>The Investor Relations team engages the financial community, stakeholders and other key constituencies of the Bank to provide consistent, accurate, transparent and timely information. Briefings for analysts are conducted every quarter in conjunction with the release of the quarterly financial results to facilitate consistent dialogue between the Bank's Key Senior Management and the investment community. The Bank also participates in one-on-one and group meetings, conferences and roadshows to share the latest updates and pertinent information on the Bank's progress with the investment community.</p> <p>These platforms enable the investment community to express their views on the Bank's performance and in turn, the Bank has the opportunity to manage investors' expectations and strengthen their understanding of the Bank.</p>

	<p>Shareholders, potential investors and members of the public can access the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a> for information of the Bank. There is a dedicated section for corporate governance on the Bank's corporate website where information such as the Board Charter; Code of Conduct; Annual Reports; Minutes of General Meetings; Constitution of the Bank and Terms of Reference of the Board Committees are made available to the public. Under the Investor Relations section, all announcements made by the Bank to Bursa Malaysia Securities Berhad including quarterly results, dividend information and presentation slides for analyst briefings are also available on the website for the benefit of the investing public.</p> <p>The investing public can contact the Head, Investor Relations &amp; Corporate Treasury, Mr Tan Hong Ian at 03-2604 3370/ <a href="mailto:investor_relations@alliancefg.com">investor_relations@alliancefg.com</a>, for any investor relations matters. Shareholders can also convey any of their concern and enquiries to the Senior Independent Non-Executive Director, Mr Ou Shian Waei who serves as the designated contact for any shareholders' concerns and enquiries that may be raised, as an alternative to the formal channel of communication with shareholders. All correspondence to the Senior Independent Non-Executive Director can be sent via email to <a href="mailto:SID@alliancefg.com">SID@alliancefg.com</a> or by mail to the registered office of the Bank at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.</p>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

### Practice 11.2

Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	The Bank is continuously enhancing its corporate disclosures in order to provide concise and balanced material information to enable the stakeholders to make informed decisions on the Bank's operations, business performance, financial results and governance.  The Bank will incrementally embrace the Integrated Reporting approach and Guiding Principles.
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Bank plans to implement the Integrated Reporting format for its Annual Report in stages over the next five years.
<b>Timeframe</b>	:	By financial year ending 2023.



**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.1**

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

<b>Application</b>	:	Departure	
<b>Explanation on application of the practice</b>	:		
<b>Explanation for departure</b>	:	Notice of the Bank’s 2018 AGM to be held on 11 July 2018 is given to the shareholders 22 clear days prior to the meeting in compliance with the Companies Act 2016, Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Bank’s Constitution.	
		The shareholders can have an immediate access to the Bank’s Annual Report including the notice of AGM and proxy form published on the Bank’s corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a> on the same day of the notice issuance date.	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:	The Bank will adopt the 28 days’ notice period for 2019 AGM onwards.	
<b>Timeframe</b>	:	2019 AGM	

**Intended Outcome**

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

**Practice 12.2**

All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>For the forthcoming AGM to be held on 11 July 2018, all the Board members, including the chairperson of the various Board Committees have confirmed their attendance.</p> <p>The Bank's external auditors will be present at the AGM to respond to the shareholders' enquiries on the conduct of the audit and the preparation and content of the auditors' reports. The shareholders will also be given the opportunities to raise questions on the Bank and the Directors and Senior Management Officers of the Bank will be available to address the questions raised.</p> <p>In addition, the Board will share the Bank's responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

### Practice 12.3

Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate–

- including voting in absentia; and
- remote shareholders' participation at General Meetings.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Bank's Constitution allows the Bank to hold a general meeting at more than one venue using any technology that gives the members as a whole a reasonable opportunity to participate, to vote and to communicate with each other simultaneously throughout the meeting.</p> <p>Taking into account the intended outcome of this practice, the Board will continue to monitor developments in the market in respect of new technologies to facilitate the conduct of meetings remotely and may consider implementing the same in future if there is a strong case for change.</p> <p>Alternative practice: Shareholders who are unable to attend general meeting may in accordance with the relevant provisions of the Bank's Constitution, appoint their respective proxies to attend, participate, speak and vote in his/her stead at the general meeting.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will closely monitor the development of this practice in the market for future consideration.
<b>Timeframe</b>	:	Others

## SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

*Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.*

### BOARD OF DIRECTORS

#### Board Composition

The members of the Board are as follows:

1. Tan Sri Dato' Ahmad bin Mohd Don – Independent Non-Executive Director/Chairman
2. Ou Shian Waei – Senior Independent Non-Executive Director
3. Kung Beng Hong – Non-Independent Non-Executive Director
4. Kuah Hun Liang – Independent Non-Executive Director
5. Lee Ah Boon – Non-Independent Non-Executive Director
6. Datuk Wan Azhar bin Wan Ahmad – Independent Non-Executive Director
7. Lee Boon Huat – Independent Non-Executive Director
8. Ho Hon Cheong – Non-Independent Non-Executive Director
9. Thayaparan S. Sangarapillai – Independent Non-Executive Director
10. Tan Chian Khong – Independent Non-Executive Director (Appointed on 26 September 2017)

The key personal details and background of the Directors are disclosed in the Annual Report 2018. None of the Directors holds any shares in the Bank.

#### Roles and Responsibilities of Board

The key responsibilities of the Board are disclosed under Practice 1.1 of Section A of this Corporate Governance Report.

#### Number of meetings convened by the Board and attendance of each Director

All Directors have demonstrated that they are able to allocate sufficient time to the Bank to discharge their duties and responsibilities. The Board met 14 times during the financial year under review. Details of each Director's attendance during the financial year under review are as follows:

No.	Directors	Attendance
1.	Tan Sri Dato' Ahmad bin Mohd Don (Chairman)	14/14
2.	Ou Shian Waei	13/14
3.	Kung Beng Hong	13/14
4.	Kuah Hun Liang	14/14
5.	Lee Ah Boon	14/14
6.	Datuk Wan Azhar bin Wan Ahmad	14/14
7.	Lee Boon Huat	13/14
8.	Ho Hon Cheong	13/14
9.	Thayaparan S. Sangarapillai	13/14
10.	Tan Chian Khong	7/7

## Directors' Training and Development

Continuous training is vital for the Directors to gain insight and keep abreast with the development in the industry to further enhance their skills and knowledge in discharging their responsibilities effectively. While the Directors are expected to have personal development skills to improve themselves, they are encouraged to attend a minimum of three days of training programmes relating to the relevant areas within the financial year taking into consideration emerging trends in the banking industry. In addition, each Board Committee is encouraged to attend a minimum of two days of training programmes relevant to the respective areas of the Board Committees to keep abreast with the latest developments in the industry in each financial year.

The Bank has put in place an In-house Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Bank's operations in addition to the regulatory mandatory training programmes such as Bursa Mandatory Accreditation Programme. Directors also received guidance from the Company Secretary on the Bank's governance framework and associated policies, as well as their duties as Directors of the Bank.

The Directors are provided with the opportunity to attend relevant training programmes on an on-going basis in areas relating to banking including Islamic banking and financial industry to enable them to keep abreast with the latest developments in the industry. Such training programmes include the Financial Institutions Directors' Education (FIDE) Core Programme which promotes high-impact Boards by strengthening Board competencies in dealing with corporate governance, risk management, Fintech and digitisation, cybersecurity, Anti-Money Laundering and strategic issues faced by the financial services industry.

The Directors have attended various training programmes during the financial year under review as follows:

Directors	Training programmes attended by Directors
Tan Sri Dato' Ahmad bin Mohd Don	<ul style="list-style-type: none"><li>• FIDE Forum: Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection - Engagement with Potential Directors</li><li>• Fintech: Business Opportunity of Disruption</li><li>• Briefing on New Companies Bill 2015</li><li>• Sunway Leaders Conference 2017</li></ul>
Ou Shian Waei	<ul style="list-style-type: none"><li>• The Companies Act 2016</li><li>• FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World</li><li>• FIDE Forum: Fintech: Opportunities for the Financial Services Industry in Malaysia</li><li>• FIDE Forum: Cryptocurrency &amp; Blockchain Technology, Viewpoint of an Entrepreneur</li><li>• CG Breakfast Series: Integrating an Innovation Mindset with Effective Governance</li><li>• CG Breakfast Series: Leading Change @ The Brain</li><li>• Changes in the Listing Requirements Post - Companies Act 2016: What to Look Out For</li><li>• Cyber Security: Cyber Proofing for the Next Wave</li></ul>

Directors	Training programmes attended by Directors
Kung Beng Hong	<ul style="list-style-type: none"> <li>• The Companies Act 2016</li> <li>• Bank 4.0: Banking everywhere, but not a bank</li> <li>• Compliance Conference 2017</li> <li>• FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers?</li> <li>• CG Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World</li> <li>• Invitation to Securities Commission Malaysia's Conversation with Audit Committees</li> <li>• Changes in the Listing Requirements Post - Companies Act 2016: What to Look Out For</li> <li>• Cyber Security: Cyber Proofing for the Next Wave</li> </ul>
Kuah Hun Liang	<ul style="list-style-type: none"> <li>• The Companies Act 2016</li> <li>• Sustaining Business Growth With Sound Governance, Risk Management, Internal Control and Compliance</li> <li>• FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World</li> <li>• FIDE Forum: Exclusive Workshop for Nomination Committee Chairman and Members: Board Selection - Engagement with Potential Directors</li> <li>• FIDE Forum: Risk and Reward: What Must Boards Know About a Sustainable FI Remuneration System for Senior Management and Material Risk Takers?</li> <li>• FIDE Forum: Navigating the VUCA World by Professor Tan Sri Dato' Lin See-Yan</li> <li>• Beyond Compliance: Achieving Cyber Resiliency</li> </ul>
Lee Ah Boon	<ul style="list-style-type: none"> <li>• The Companies Act 2016</li> </ul>
Datuk Wan Azhar bin Wan Ahmad	<ul style="list-style-type: none"> <li>• The Companies Act 2016</li> <li>• Compliance Conference 2017</li> <li>• The Global Symposium on Development Financial Institutions</li> <li>• Strengthening the Roles and Impact of Islamic Finance via Value-based Intermediation (VBI)</li> </ul>
Lee Boon Huat	<ul style="list-style-type: none"> <li>• The Companies Act 2016</li> <li>• Strengthening the Roles and Impact of Islamic Finance via Value-based Intermediation (VBI)</li> <li>• Bursa-Mandatory Accreditation Programme</li> </ul>
Ho Hon Cheong	<ul style="list-style-type: none"> <li>• Bursa-Mandatory Accreditation Programme</li> </ul>

Directors	Training programmes attended by Directors
Thayaparan S. Sangarapillai	<ul style="list-style-type: none"> <li>• The Companies Act 2016</li> <li>• FIDE Forum: Efficient Inefficiency: Making Board Effective in a Changing World</li> <li>• Compliance Conference 2017</li> <li>• Bursa-Mandatory Accreditation Programme</li> <li>• CG Breakfast Series: Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World</li> <li>• MIA-SC Workshop on Malaysian Code on Corporate Governance</li> </ul>
Tan Chian Khong	<ul style="list-style-type: none"> <li>• The Global Symposium on Development Financial Institutions</li> </ul>

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

#### **BOARD COMMITTEES**

To enhance the Board's effectiveness in discharging its duties and responsibilities, the Board has established the following Board Committees which operate within specific delegated authority and functions to complement the Board in the execution of its responsibilities:

- Executive Committee (EXCO)
- Group Nomination & Remuneration Committee (Group NRC)
- Group Audit Committee (Group AC)
- Group Risk Management Committee (Group RMC)

The Group NRC, Group AC and Group RMC operate on a Group basis covering the Bank and its two principal subsidiaries, namely Alliance Islamic Bank Berhad (AIS) and Alliance Investment Bank Berhad (AIBB). Each Board Committee has its Terms of Reference which set forth the responsibilities of that Committee.

#### **EXCO**

The EXCO reviews/approves loan applications and other business matters recommended by the Management which are within its financial limits set by the Board. It also reviews and recommends strategies and policies for the Board's approval and oversees their implementation.

The members of the EXCO are as follows:

1. Lee Ah Boon – Non-Independent Non-Executive Director/Chairman
2. Kung Beng Hong – Non-Independent Non-Executive Director
3. Datuk Wan Azhar bin Wan Ahmad – Independent Non-Executive Director
4. Lee Boon Huat – Independent Non-Executive Director
5. Ou Shian Waei – Senior Independent Non-Executive Director  
(Appointed as a member of the EXCO with effect from 1 January 2018)

The EXCO met 14 times during the financial year under review. Details of each EXCO Member's attendance during the financial year under review are as follows:

<b>No.</b>	<b>EXCO Members</b>	<b>Attendance</b>
1.	Lee Ah Boon (Chairman)	14/14
2.	Kung Beng Hong	14/14
3.	Datuk Wan Azhar bin Wan Ahmad	14/14
4.	Lee Boon Huat	11/14
5.	Ou Shian Waei	3/5

### **Group NRC**

The Group NRC is responsible to support the Boards in carrying out their functions in the following matters concerning the Boards, Shariah Committee, Senior Management and Company Secretary:

- Appointment and removals;
- Composition of the Boards;
- Performance evaluation and development; and
- Fit and proper assessments,

and actively overseeing the design and operation of the Bank's remuneration system, as prescribed in its Terms of Reference. Further, Group NRC also periodically reviews the remuneration of Directors on the Board, particularly on whether remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

The functions of the Group NRC are set out in its Terms of Reference which is published on the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my)

The members of the Group NRC are as follows:

1. Ou Shian Waei – Senior Independent Non-Executive Director/Chairman
2. Tan Sri Dato' Ahmad bin Mohd Don – Independent Non-Executive Director
3. Datuk Wan Azhar bin Wan Ahmad – Independent Non-Executive Director
4. Kung Beng Hong – Non-Independent Non-Executive Director
5. Lee Ah Boon – Non-Independent Non-Executive Director
6. Lee Boon Huat – Independent Non-Executive Director

The Group NRC met 12 times during the financial year under review. Details of each Group NRC Member's attendance during the financial year under review are as follows:

<b>No.</b>	<b>Group NRC Members</b>	<b>Attendance</b>
1.	Ou Shian Waei (Chairman)	12/12
2.	Tan Sri Dato' Ahmad bin Mohd Don	12/12
3.	Datuk Wan Azhar bin Wan Ahmad	12/12
4.	Kung Beng Hong	12/12
5.	Lee Ah Boon	12/12
6.	Lee Boon Huat	9/12



## Group AC

The Group AC is principally responsible to support the Board in ensuring that there is a reliable and transparent financial reporting process within the Bank and its principal subsidiaries.

The functions of the Group AC are set out in its Terms of Reference which is published on the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my)

The members of the Group AC are as follows:

1. Thayaparan S. Sangarapillai – Independent Non-Executive Director/Chairman
2. Kuah Hun Liang – Independent Non-Executive Director
3. Datuk Wan Azhar bin Wan Ahmad – Independent Non-Executive Director
4. Ho Hon Cheong – Non-Independent Non-Executive Director
5. Tan Chian Khong – Independent Non-Executive Director  
(Appointed as a member of the Group AC with effect from 1 January 2018)
6. Ou Shian Waei – Senior Independent Non-Executive Director  
(Stepped down as a member of the Group AC with effect from 1 January 2018)

The Group AC met 24 times during the financial year under review. Details of each Group AC Member's attendance during the financial year under review are as follows:

No.	Group AC Members	Attendance
1.	Thayaparan S. Sangarapillai (Chairman)	24/24
2.	Kuah Hun Liang	23/24
3.	Datuk Wan Azhar bin Wan Ahmad	24/24
4.	Ho Hon Cheong	23/24
5.	Tan Chian Khong	6/6
6.	Ou Shian Waei	18/18

## Group RMC

The principal objectives of the Group RMC is to support the Board in meeting the expectations on risk management as set out in the BNM Policy Document on Risk Governance in overseeing the Bank's 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 functions of the Group RMC are set out in its Terms of Reference which is published on the Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

The members of the Group RMC are as follows:

1. Kuah Hun Liang – Independent Non-Executive Director/Chairman
2. Lee Boon Huat – Independent Non-Executive Director
3. Ho Hon Cheong – Non-Independent Non-Executive Director
4. Tuan Haji Ibrahim bin Hassan – Independent Non-Executive Director, AIS  
(Appointed as a member of the Group RMC with effect from 1 January 2018)
5. Mazidah Binti Abdul Malik – Independent Non-Executive Director, AIBB  
(Appointed as a member of the Group RMC with effect from 1 January 2018)

6. Dato' Majid Bin Mohamad – Independent Non-Executive Director, AIS  
(Stepped down as a member of the Group RMC with effect from 1 January 2018)

The Group RMC met 22 times during the financial year under review. Details of each Group RMC Member's attendance during the financial year under review are as follows:

<b>No.</b>	<b>Group RMC Members</b>	<b>Attendance</b>
1.	Kuah Hun Liang (Chairman)	22/22
2.	Lee Boon Huat	20/22
3.	Ho Hon Cheong	20/22
4.	Tuan Haji Ibrahim bin Hassan	6/6
5.	Mazidah Binti Abdul Malik	6/6
6.	Dato' Majid Bin Mohamad	16/16

## **INTERNAL CONTROL FRAMEWORK**

The Statement on Risk Management and Internal Control is set out in the Annual Report 2018.

The Bank operates a holistic internal control framework, which is intended to safeguard the Bank's assets and our customers' information and deposits. To do so, the internal control framework operates on a system of checks and balances. Examples of such controls include:

- Board oversight over Management actions/decisions;
- Segregation of duties;
- Authorisation controls;
- Transactional limits;
- Portfolio/concentration limits;
- Verification/validation checks;
- Reconciliation checks;
- Physical security/access controls;
- Automated, system-based controls and password controls;
- Documentation controls.

The above are supplemented with policies, limits and procedures to govern the Bank's various products, services and activities. The Board and Senior Management are responsible for setting the 'tone at the top'; backed by staff training/orientation and ongoing supervision. Incident handling is reinforced through performance management and consequence management. The key policies and procedures are disclosed in the Risk Management Report set out in the Annual Report 2018. The Board, relevant Board Committees and Management Committees periodically review and update these policies and procedures in accordance with the operational and business needs of the Bank, changes in regulations and industry development.

The internal control framework is embedded within the Bank's Three Lines of Defence, the details of which are disclosed in the Risk Management Report set out in the Annual Report 2018.

### **Frontline Units – 1st Line of Defence**

Business Units, aided by Business Support functions, including Business Risk and Credit Underwriting functions and Group Operations Control form the 1st Line of Defence.

In addition to the departmental controls within the respective 1st Line business and support units, the Bank also conducts supervisory checks and independent reviews, to assess whether these controls are functioning effectively as intended. This framework is further augmented by independent audits carried out on the 1st Line and 2nd Line functions.

#### **Risk Control Functions – 2nd Line of Defence**

Group Risk Management, Group Compliance and Shariah Review Team form the 2nd Line of Defence.

Group Compliance has established the Compliance Risk Assessment and Review Framework which sets out the risk based approach and process to ensure compliance risk is proactively identified and managed. The framework identify, prioritise and assign accountability for managing current and potential compliance threats and risks to which the bank may be expose to. Compliance testing plan is developed annually to ensure that controls over compliance related risks are tested and verified. Deficiencies identified from the review will be reported and appropriately followed up.

Details on the Risk Management Framework and Internal Control System are explained in the Risk Management Report set out in the Annual Report 2018.

#### **Internal Audit – 3rd Line of Defence**

As the 3rd Line of defence, Group Internal Audit (GIA) performs regular independent reviews on the Bank's activities to evaluate and make recommendations to improve the effectiveness of risk management, governance processes, internal control & compliance framework and information systems, and where possible advise on best practices. The reviews are conducted in accordance with the annual audit plan, which was developed based on the GIA's risk-based audit planning methodology and approved by the Group AC. More detailed description on the internal audit function is highlighted in the Group AC Report as set out in the Annual Report 2018.

### **REMUNERATION**

#### **Board of Directors**

The Bank's Policy on Directors' Remuneration is disclosed under Practice 6.1 of Section A of this Corporate Governance Report.

The details of remuneration of each Director of the Bank received/receivable from the Bank and the Group in respect of the financial year ended 31 March 2018 are disclosed on pages 182 to 186 of the Annual Report 2018.

#### **Senior Management**

The Group Compensation Policy governs the design and management of remuneration for employees in the Bank. The policy is reviewed and endorsed by the Group NRC and approved by the Board on a periodic basis and whenever material changes are required. The last review was completed in 2017 to incorporate requirements from BNM Policy Document on Corporate Governance. The enhancements were on introduction of Material Risk Takers as a new category of employees and Deferral Policy to govern deferment of a portion of variable compensation. The policy review also includes input from risk and control functions.

The remuneration strategy of the Bank is designed around the following principles:

- supports a performance culture that is based on merit, differentiates and rewards performance, both in the short and long term, and recognises the Bank's Core Values/Key Behaviours;
- enables the Bank to attract and retain employees and to motivate them to achieve the desired results;
- balances the mix of fixed and variable pay to appropriately reflect the value and responsibility of the role, and to influence appropriate behaviours and actions;
- consistent with, and promotes, effective risk management practices and the Bank's compliance and control culture;
- takes into account the long-term performance of the Bank, in order to create sustainable financial performance and value for the Bank and shareholders.

The Group Compensation Policy covers all employees, including Senior Management of the Group. Employees whose remuneration is covered by collective agreements or subject to labour union negotiations are bound by the terms and conditions of such agreements.

The remuneration of the Bank is made up of the following components:

Fixed pay	Consists of base salary, and where applicable, cash allowance	Determined based on roles and responsibilities, individual experience and skill sets, the Bank's legal obligations and market competitiveness.
Variable rewards	Consists of Cash Bonus and Deferred Cash/Share	<p>These are not guaranteed and subject to the Bank's results and performance of the work unit and individual employee. Align compensation with prudent risk-taking and incorporates adjustments to reflect:</p> <ol style="list-style-type: none"> <li>financial and non-financial measures of business performance;</li> <li>the risks related to the business activities taking into account, where relevant, of the cost of the associated capital</li> </ol> <p>Deferred Cash/Share are also used to achieve the following objectives:</p> <ol style="list-style-type: none"> <li>Retain top performers and critical staff;</li> <li>Provide market competitive total compensation;</li> <li>Align the interest of employees with long term sustainability</li> </ol>
Employee Benefits		Employee benefits are used to foster employees' sense of being valued and sense of well-being, delivering cost-effective programmes that are of value to employees.

The Bank bonus pool is determined based on the overall Bank performance and subject to adjustment after taking into consideration inputs from Audit, Risk and Compliance on both quantitative risk measures and qualitative risk outcomes. The final bonus pool is approved by the Board.

The Bank has identified Material Risk Takers comprising the Senior Management and other officers who are not members of the Senior Management but have authority to commit the Bank significantly to risk exposure. Their variable remuneration is subject to deferral policy up to three years to reflect the time horizon of risks and the potential for financial risks to crystallise over a longer period of time. The deferred awards, both unvested and vested portions, are subject to forfeiture and clawback in the event of a material restatement of the Bank or business unit's financials or significant deterioration in the Bank or business unit's financial health and/or the employee committed misconduct or resigned.

The following depicts the total value of remuneration awarded to the Group CEO, Senior Management and Other Material Risk Takers of the Bank in respect of the financial year ended 31 March 2018 (FY2018):

<b>Group CEO</b>	<b>Non-Deferred (RM'000)</b>	<b>Deferred (RM'000)</b>	<b>Total amount of Outstanding Deferred Remuneration as at 31.3.2018 (RM'000)</b>	<b>Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)</b>
<b>Fixed</b> - Cash-based	3,615	-	-	-
<b>Variable</b> - Cash-based	2,471	761	2,100	400
<b>Variable</b> - Share-based	-	-	-	-

<b>Senior Management</b>	<b>No. of Senior Management</b>	<b>Non-Deferred (RM'000)</b>	<b>Deferred (RM'000)</b>	<b>Total amount of Outstanding Deferred Remuneration as at 31.3.2018 (RM'000)</b>	<b>Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)</b>
<b>Fixed</b> - Cash-based	16	16,350	-	-	-
<b>Variable</b> - Cash-based	16	6,458	2,097	5,619	1,015
<b>Variable</b> - Share-based	9	-	-	-	1,529

Other Material Risk Takers	No. of Other Material Risk Takers	Non-Deferred (RM'000)	Deferred (RM'000)	Total amount of Outstanding Deferred Remuneration as at 31.3.2018 (RM'000)	Total amount of Deferred Remuneration Paid Out (Vested) in FY2018 (RM'000)
<b>Fixed</b> - Cash-based	19	12,884	-	-	-
<b>Variable</b> - Cash-based	19	2,688	776	1,082	253
<b>Variable</b> - Share-based	8	-	-	-	401

Category	Senior Management & Other Material Risk Takers	
	No.	Amount (RM'000)
Number and total amount of guaranteed bonuses awarded during FY2018	1	220
Number and total amount of sign-on awards made during FY2018	-	-
Number and total amount of severance payments made during FY2018	-	-

### Performance Management

The Bank actively manages the performance of employees to ensure a robust link between remuneration outcomes and the achievement of the Bank's strategy. Formal assessments occur biannually, at the middle and end of the performance year respectively. Assessment outcomes directly influence an employee's short term incentive and long term incentive awards.

Employee performance is assessed against both what an employee achieves and how he/she achieves it. Individual objectives represent "what" the employee is expected to achieve. For Senior Management, objectives are set within a balanced scorecard framework with the scorecard categories aligning to the Bank's strategy. Scorecard objectives are cascaded down and documented in each employee's Individual Performance Plan or Job Standard at the commencement of the performance year.

An employee's performance will be measured based on both financial and non-financial objectives taking into consideration risk, compliance and control outcomes. In addition to achieving their objectives, employees are also assessed on the Bank's core values/key behaviours.

To safeguard the independence and authority of employees engaged in Risk and Control functions, covering the functions of Compliance, Risk and Audit, the performance of employees in Risk and Control functions are assessed independently of the performance of any business areas they oversee. The performance metrics of these employees are based principally on the achievement of the objectives of their job functions, rather than on the financial performance of the Bank. The remuneration of these risk and control functions employees is positioned at a higher fixed pay component and reviewed annually.

