



ALLIANCE BANK

CORPORATE GOVERNANCE REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019



CORPORATE GOVERNANCE REPORT

STOCK CODE : ABMB 2488
COMPANY NAME : Alliance Bank Malaysia Berhad
FINANCIAL YEAR : March 31, 2019

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 PURSUANT 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.

Application	:	Applied
Explanation on application of the practice	:	<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">(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;(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;(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;(d) promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;(e) promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;(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(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.

	In total, the Board met formally 15 times during the financial year ended 31 March 2019 (FY2019) where it reviewed the Bank's business and financial performance; approved budget, strategies, business plans and significant policies as well as considered business and other proposals which required its approval. 10 meetings were scheduled meetings while 5 meetings were ad hoc meetings to consider exigency matters. In addition, the Board had 2 offsite meetings on Strategy and Budget respectively during FY2019.	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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">(a) ensures that appropriate procedures are in place to govern the Board's processes;(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(c) encourages healthy discussion and ensures that dissenting views can be freely expressed and discussed.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 as well as general meetings of shareholders, 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">• Developing the strategic direction of the Bank;• Ensuring that the Bank's strategies and corporate policies are effectively implemented;• Ensuring that Board decisions are implemented and Board directions are responded to;• Providing directions in the implementation of short and long term business plans;• Providing strong leadership; i.e. effectively communicating a vision, management philosophy and business strategy to the employees;• Keeping Board fully informed of all important aspects of the Bank's operations and ensuring that sufficient and adequate information is provided to Board members; and• Ensuring the day-to-day business affairs of the Bank are effectively managed.
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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board is supported by a qualified and competent Company Secretary with over 26 years of experience in the corporate secretarial function. He is an Associate member of The Malaysian Institute of Chartered Secretaries and 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. He has a strong background in corporate actions of public listed companies and a wide exposure in the management and financial services industry.</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. For FY2019, the Board is satisfied with the performance and support rendered by the Company Secretary.</p>
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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board meets on a scheduled basis at least eight times a year 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. All Directors are informed of these scheduled dates of Board meetings before the start of the financial year. Ad hoc Board meetings are held to deliberate and assess issues that 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 well in advance of the date of meetings to provide sufficient time for the Board members to review, consider and obtain further information if required.</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/her 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>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has a Board Charter that sets out the mandates, responsibilities and procedures of the Board and Board Committees including matters reserved for the Board's decision.</p> <p>The Board has established 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 terms of reference of each of the committees. The Board Committees review and assess the adequacy of their respective terms of reference at every two years interval or as and when necessary. Any proposed changes to the terms of reference of the Board Committees are subject to the approval of the Board.</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 related 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>The roles of the Chairman, Senior Independent Director, Non-Executive Directors and CEO are clearly identified and set out in the Board Charter.</p> <p>The Board Charter is reviewed by the Board at every two years interval or as and when necessary in line with development in corporate governance requirements and practices to ensure its continued relevance to the Board.</p> <p>During FY2019, the Board Charter was reviewed and revised by the Board on 28 November 2018 and 19 March 2019 with, among others, the following changes:</p>

	<p>(a) Limiting the tenure of independent directors to a maximum cumulative term of 9 years by removing the option for an independent director to continue serving on the Board as a non-independent non-executive director upon completion of the 9 years term.</p> <p>(b) Introduced a new policy by limiting the tenure of non-independent non-executive directors to a maximum cumulative term of 12 years.</p> <p>The Board Charter is published on the Bank's corporate website at www.alliancebank.com.my.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Bank has a Code of Conduct that sets out the principles and standards of business and ethical conduct required to be observed by the Directors and the employees individually 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">(a) compliance with laws, regulations, internal policies and procedures;(b) avoidance of conflict of interest;(c) misuse of position;(d) misuse of information and insider trading;(e) reject bribery and corruption;(f) respect customer confidentiality and data privacy; and(g) stay alert to money laundering, terrorism and fraud. <p>To underscore the importance of adherence to and observance of the Bank's Code of Conduct, our employees refresh their knowledge and understanding 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 www.alliancebank.com.my.</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> <p>The Group's Conflict of Interest Policy for Directors was last reviewed and updated by the Board in September 2018 to align with changes to regulatory guidelines.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<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 control, 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 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 could also direct their whistle bower complaints to external regulators and/or law enforcement agencies such as BNM and Securities Commission Malaysia.</p> <p>The Chairman of the Group Nomination & Remuneration Committee (Group NRC), who is an Independent Non-Executive Director, is the designated person appointed to be responsible for the effective implementation of the Whistleblower Policy. The Chairmen of the Board, Group Audit Committee (Group AC) and the Group CEO are involved in the whistleblower processes. The Bank Board and the Board of the respective subsidiaries are informed of the relevant whistleblower investigation/conclusions.</p> <p>The Bank is also committed to ensuring that third parties are provided with an avenue to raise complaints as whistleblowers. To this end, the "ALLIANCE Speak up", being a whistleblower channel for third parties, has been made available for public viewing and information through the Bank's corporate website at www.alliancebank.com.my.</p>

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

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has 10 members, comprising entirely of Non-Executive Directors, eight of whom are Independent Directors.</p> <p>The presence of a majority of Independent Directors on the Board provides the necessary check and balance to ensure that the interests of all stakeholders and the general public are given due consideration in the decision-making process.</p> <p>Independent 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>
Explanation for departure	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:	.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<p>The Board has adopted a policy which limits the tenure of its independent directors to 9 years.</p> <p>The Board Charter was amended on 28 November 2018 to limit the tenure of independent directors to a maximum cumulative term of 9 years without the option for an independent director to continue serving on the Board as a non-independent non-executive director upon completion of the 9 years term.</p>

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group NRC is responsible for assessing the appointment of new Directors, Shariah Committee members, members of Senior Management and the Company Secretary.</p> <p>It takes into account the strategic directions of the Group when evaluating candidates to fill any Board vacancy. In assessing candidates for new Board 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 also assesses the candidates on the following criteria:</p> <ul style="list-style-type: none">(a) not be disqualified under section 59(1) of the Financial Services Act, 2013;(b) comply with the fit and proper requirements of the Bank;(c) not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;(d) not be an active politician;(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(f) preferably at a minimum holds a degree qualification and/or other equivalent qualification(s) and at least 5 years in senior managerial position. <p>The Group NRC is also guided by the Group Board Succession Plan and the Board Gender Diversity Policy in identifying potential candidates for nomination as Directors. The Group Board Succession Plan was last reviewed and updated by the Board in November 2018 to ensure alignment with the strategic direction of the Bank.</p> <p>The GNRC assesses all Directors, Shariah Committee members, Senior Management and the Company Secretary annually to ensure that they continue to satisfy and comply with the regulatory requirements and internal policies and procedure on fitness and propriety.</p>

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

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<p>The Board has adopted a Board Gender Diversity Policy in July 2018.</p> <p>The Board Gender Diversity Policy provides that women candidates will be given priority consideration in the selection and recruitment process of identifying suitable board candidates towards achieving the gender diversity target of 30% women participation on the Board.</p> <p>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 remain a priority.</p> <p>The Board has, through the Group NRC, taken steps to ensure that women candidates are given priority consideration in the selection and recruitment process for directors towards achieving the gender diversity target of 30% women participation.</p> <p>During FY2019, a woman director was appointed to the Board in October 2018. The Board will continue its endeavour to meet the gender diversity target of 30% women participation.</p> <p>The Board Gender Diversity Policy is disclosed in the Bank's 2019 Annual Report.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	Group NRC continues to identify potential women candidates from all relevant sources such as Directors Register maintained by FIDE Forum and other leadership development and consulting organisations to facilitate the appointment of more women directors to the Board.
Timeframe	:	Others

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Group NRC is guided by the Group Board Succession Plan and the Board Gender Diversity Policy 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 other leadership development and consulting organisations.</p> <p>During FY2019, the Group NRC had sourced from the Directors Register maintained by FIDE Forum in identifying suitable candidates for appointment to the Board.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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, an Independent 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.

Application	:	Applied
Explanation on application of the practice	:	<p>BOARD EFFECTIVENESS ASSESSMENT</p> <p>The Board has adopted an annual Board Effectiveness Assessment 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>Step 1: Completion of Comprehensive Questionnaire</p> <p>I. Assessment of the Board by Board Members</p> <p>Each Director evaluates the performance of the Board as a whole by way of a Self-Assessment Questionnaire by Individual Board Members.</p> <p>The assessments are made against the pre-established criteria as follows:</p> <p>A. Board Composition/Structure B. Board Process C. Board Governance D. Major Responsibilities of the Board</p> <p>II. Individual Director Self-Assessment</p> <p>For individual Directors' assessments, Self-Assessment Forms by Individual Directors are completed individually by every Director.</p> <p>III. Peer Assessment of Individual Directors</p> <p>The performance of each Board Member is also assessed by their fellow Board members based on similar criteria of the Individual Director Self-Assessment.</p> <p>IV. Assessment of the Board Committees</p> <p>Each Member of the Board Committees completes the Self-Assessment Form in respect of the Board Committees in which he/she is a member. The effectiveness of the Board Committees is assessed against the following pre-established criteria:</p> <p>A. Committee Governance B. Accountability and Responsibilities</p>

	<p>Step 2: Reporting and Discussion with the Group NRC and the Board</p> <p>The results of annual Board Effectiveness Assessment for the Board as a whole, Board Committees and the contribution of each Individual Director are compiled for deliberation by the Group NRC, respective Board Committees and the Board for improvement, where necessary.</p> <p>For FY2019, the Board was satisfied with the results of the annual Board Effectiveness Assessment and would take the necessary steps to address areas for improvement suggested by the Directors.</p> <p>The Board also periodically engages external consultants to assist in and lend objectivity to the annual board assessment. In the previous FY2018, an external consultant, the Institute of Corporate Directors Malaysia (ICDM) was engaged to undertake the Board Effectiveness Assessment and Individual Director Evaluation for the Bank.</p> <p><u>FIT AND PROPER ASSESSMENT</u></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 during the annual Board Effectiveness Assessment exercise. All Directors are required to complete a Fit & Proper Declaration annually. The Fit & Proper Declarations by the Directors are also verified against independent sources.</p> <p>The Group's Policy on Fit and Proper was last reviewed and updated by the Board in September 2018.</p>
Explanation for departure :	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>	
Measure :	
Timeframe :	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>Non-Executive Directors</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 sitting allowance for each Board or Board Committee meeting attended. In addition, Non-Executive Directors also receive other benefits including Directors & Officers Liability Insurance coverage, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his/her duty of trust.</p> <p>During FY2019, the Board has engaged an independent consultant to carry out a review on the remuneration of the Non-Executive Directors to determine if the Bank's remuneration for the Non-Executive Directors continues to be in line with the industry taking into consideration the complexities of the Bank's business and operations. The proposed remuneration of the Non-Executive Directors will be tabled to the shareholders of the Bank for approval at the forthcoming Annual General Meeting (AGM) to be held on 25 July 2019.</p> <p>Senior Management</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 Compensation Policy review included input from the Risk and Control functions. The Bank is also supported by an 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>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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">• Appointment and removals;• Composition of the Boards;• Performance evaluation and development; and• Fit and proper assessments. <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 www.alliancebank.com.my.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 7.1

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 individual Directors of the Bank in respect of FY2019 are disclosed on named basis on pages 213 to 216 of the 2019 Annual Report.	
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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<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. the Group CEO and CEOs of subsidiaries is disclosed on a named basis in the audited financial statements of the Bank for FY2019. 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>		
Measure	:	The Board will closely observe the market practice on such disclosures for future consideration.
Timeframe	:	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.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Group AC, Mr Thayaparan S. Sangarapillai, is not the Chairman of the Board.	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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 8.2

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	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
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.

Application	:	Applied
Explanation on application of the practice	:	<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 & 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">(a) Qualification criteria;(b) Level of knowledge, capabilities, experience and quality of previous work;(c) Level of engagement with Board and Group AC;(d) Ability to provide constructive observations, implications and recommendations in areas which require improvements;(e) Appropriateness of audit approach and the effectiveness of audit planning;(f) Ability to perform the audit work within the agreed duration given;(g) Independence, Objectivity and Professional Scepticism; and(h) Ability to demonstrate unbiased stance when interpreting the standards/policies adopted by the Bank.
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
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 8.4 - Step Up

The Audit Committee should comprise solely of Independent Directors.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 in the financial services industry, including accounting and auditing standards, practices and rules during FY2019:</p> <ul style="list-style-type: none">• IFRS 17 Insurance Contracts• Enterprise Risk Management: The New Paradigm• FIDE Forum: IBM THINK Malaysia• MIA: Industry 4.0 and Artificial Intelligence: Building Business Value• FIDE: Credit Risk Management Banking Sector• MICG: Introduction to Corporate Liability Provision: What It Is, How Will My Company be Effected, and What Do I Need to Put in Place by Way of Safeguards?• FIDE: Emerging Risks, the Future Board and Return on Compliance• Islamic Finance for Board of Directors Programme• In-house IBM Blockchain World WireTM: The New Normal in Global Payments• In-house Board Briefing on Anti-Money Laundering

	<ul style="list-style-type: none"> • FIDE Forum: Reading the Signs: The Next Financial Crisis and Potential Impact on Asia • FIDE: Understanding Fintech and Its Implications for Banks • FIDE Forum Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader" • FIDE Forum: Dialogue with Senior Officials of Bank Negara Malaysia • PNB Leadership Forum 2019 • 1st PIDM-FIDE Forum Annual Dialogue • Powertalk Effective Boards in a VUCA World • BNM-FIDE Forum Board Conversations (Banks and DFIs) • ICDM: Powertalk - Revisiting The Misconception of Board Remuneration • SID: Sustainability • SID: Revised Code of Governance Briefing • SID: Conference 2018 : Rebooting Globalisation • SID: Board Performance • SID: Board Risks • CPA Australia: CPA Congress 2018 • SID: MCD 2 - Corporate Culture and the Role of The Board <p>The Group AC also receives regular updates from Management and External Auditors on new/revised financial reporting standards as well as development in law and regulations affecting the financial services industry.</p>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<p>The Board has an overall responsibility in maintaining a system of internal control covering not only financial controls but also controls relating to operational, compliance and risk management. However, such system 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 control 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 control.</p> <p>The Group AC provides an independent oversight of the internal control system of the Bank. In this regard, all findings on control issues raised by the Internal Auditors, External Auditors and Regulators and the agreed recommendations to enhance the control system are highlighted to the Group AC monitored 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 control. The primary processes include:</p> <ul style="list-style-type: none">• Regular and comprehensive management reports are made available to the Board on a regular basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;• Clearly defined delegation of responsibilities to Committees of the Board and to Management including organisation structures and appropriate authority levels;• A code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;

	<ul style="list-style-type: none"> • A proper procedure to control applications and the environment of computer information systems; • Regular update of internal policies and procedures to reflect changing risks or resolve operational deficiencies; and • Regular review of the business processes by the Group Internal Audit to assess the effectiveness of the control environment and highlight significant risks impacting the Group. <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 2019 Annual Report.</p>	
Explanation for departure	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied	
Explanation on application of the practice	:	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 2019 Annual Report.	
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

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.

Application	:	Adopted
Explanation on adoption of the practice	:	<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, compliance, legal, IT/Cyber and other risks as well as to ensure that the risk strategy is sound and the risk management framework is in place and functioning effectively according to its purposes. It also actively promote a consistent culture of compliance, risk awareness and risk management within the Group.</p> <p>Its primary functions include:</p> <ul style="list-style-type: none">• Reviewing risk management strategies, policies and risk tolerance.• Reviewing and assessing adequacy of risk management policies and framework as well as IT policies and procedures in identifying, measuring, evaluating, monitoring and controlling the extent to which these are operating effectively, prudently and in compliance with all regulatory guidelines.• Ensuring that infrastructure, resources and systems are in place for risk management and compliance functions, i.e. ensuring that the staff responsible for implementing risk management and compliance systems perform those duties independently of the financial institutions' risk taking activities.• Reviewing management's periodic reports on risk exposure, risk portfolio composition and risk management activities to ensure that the risk reports facilitate understanding and the determination of appropriate risk responses.• Ensuring that the effectiveness of the Group's overall management of compliance risk is evaluated at least annually, and that adequate time and priority is provided in the agenda to deliberate compliance issues to ensure that such issues are resolved effectively and expeditiously.• Support the board in meeting the expectations on risk management as set out in the BNM's policy document on Risk Governance and on Compliance.

	<ul style="list-style-type: none"> Assisting the implementation of a sound remuneration system, examine whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the board remuneration committee. <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 www.alliancebank.com.my.</p>
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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.

Application	:	Applied
Explanation on application of the practice	:	<p>The purpose, authority, scope, independence and responsibilities of Group Internal Audit (GIA) function 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 independence and effectiveness of the GIA, the Group AC is empowered under its Terms of Reference to:</p> <ul style="list-style-type: none">- oversee the Internal Audit function and ensure compliance with requirements of regulators;- appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the GCIA;- ensure the compensation scheme of the internal auditors is consistent with the objectives and the demands of the internal audit function;- ensure the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness; and- be able to convene meetings with the internal auditors, excluding the attendance of other Directors and employees of the Bank and its subsidiaries. <p>The Group AC also reviews and approves 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 2019 Annual Report.</p>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Applied
Explanation on application of the practice	:	<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 & compliance framework and information systems.</p> <p>The GIA function is guided by the Internal Audit Charter, which sets out its purpose, authority, scope, independence and responsibilities. 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 2019, GIA has 35 audit personnel.</p> <p><u>Group Chief Internal Auditor (GCIA)</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 2019 Annual Report.</p>

	<u>Internal Audit Framework</u> GIA's processes and activities are governed by policies 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) Malaysia.	
Explanation for departure :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure :		
Timeframe :		

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.

Application	:	Applied
Explanation on application of the practice	:	<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 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 www.alliancebank.com.my 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. A corporate calendar on material events such as entitlement dates, ex-dividend dates and payment dates for dividend payments; all announcements made by the Bank to Bursa Malaysia Securities Berhad including quarterly results and dividend information; and presentation slides for analyst briefings are also available on the Bank's corporate website under the Investor Relations section for the benefit of the investing public.</p> <p>The investing public can contact the Head, Investor Relations & Corporate Treasury, Mr Tan Hong Ian at 03-2604 3370 or investor_relations@alliancefg.com, for any investor relations matters. Shareholders can also convey any of their concerns and enquiries to the Senior Independent Non-Executive Director, Mr Kuah Hun Liang 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 sid@alliancefg.com 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>	
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	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>		
Measure	:	The Bank plans to implement the Integrated Reporting format for its Annual Report in stages over the next four years.
Timeframe	:	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.

Application	:	Applied	
Explanation on application of the practice	:	<p>Notice of the Bank’s 2019 AGM to be held on 25 July 2019 is given to the shareholders 29 clear days prior to the AGM date.</p> <p>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 www.alliancebank.com.my on the same day of the notice issuance date.</p>	
Explanation for departure	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
Measure	:		
Timeframe	:		

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.

Application	:	Applied
Explanation on application of the practice	:	<p>All the Board members and the chairmen of Group AC, Group GNRC and Group RMC had attended the 2018 AGM held on 11 July 2018.</p> <p>For the forthcoming AGM to be held on 25 July 2019, 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>
Explanation for departure	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
Measure	:	
Timeframe	:	

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.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	<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>		
Measure	:	The Board will closely monitor the development of this practice in the market for future consideration.
Timeframe	:	Others

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PURSUANT 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. Kuah Hun Liang – Senior Independent Non-Executive Director
3. Ou Shian Waei – Independent Non-Executive Director
4. Lee Ah Boon – Non-Independent Non-Executive Director
5. Datuk Wan Azhar Bin Wan Ahmad – Independent Non-Executive Director
6. Lee Boon Huat – Independent Non-Executive Director
7. Ho Hon Cheong – Non-Independent Non-Executive Director
8. Thayaparan S. Sangarapillai – Independent Non-Executive Director
9. Tan Chian Khong – Independent Non-Executive Director
10. Susan Yuen Su Min – Independent Non-Executive Director
(Appointed on 15 October 2018)
11. Kung Beng Hong – Non-Independent Non-Executive Director
(Retired with effect from 1 January 2019)

The key personal details and background of the Directors are disclosed in the 2019 Annual Report.

Save as disclosed below, none of the other Directors have any interest in the shares of the Bank as at 31 March 2019:

Name	No. of Alliance Bank shares held			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 [^]	*

Notes:

* Negligible

[^] Indirect interest in the Bank's shares by virtue of Section 59(11)(c) of the Companies Act 2016

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

In total, the Board met formally 15 times during FY2019. 10 meetings were scheduled meetings while 5 meetings were additional ad hoc meetings to consider exigency matters. In addition, the Board had 2 offsite meetings on Strategy and Budget respectively during FY2019.

All Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities and their commitment is affirmed by their attendance at the Board meetings held during FY2019 as reflected below:

No.	Name of Directors	Attendance	Percentage
1.	Tan Sri Dato' Ahmad Bin Mohd Don	15/15	100%
2.	Kuah Hun Liang	15/15	100%
3.	Ou Shian Waei	15/15	100%
4.	Lee Ah Boon	13/15	87%
5.	Datuk Wan Azhar Bin Wan Ahmad	15/15	100%
6.	Lee Boon Huat	13/15	87%
7.	Ho Hon Cheong	15/15	100%
8.	Thayaparan S. Sangarapillai	15/15	100%
9.	Tan Chian Khong	15/15	100%
10.	Susan Yuen Su Min	5/5	100%
11.	Kung Beng Hong	12/12	100%

Board 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 roles and 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 a financial year taking into consideration emerging trends in the financial services industry. In addition, each Board Committee member is encouraged to attend a minimum of two days of training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast with the latest developments in the industry.

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 and mandatory training programmes such as Bursa Mandatory Accreditation Programme and Financial Institutions Directors' Education (FIDE) Core Programme. Upon appointment, a new Director will attend an in-house orientation program within three months of the appointment where he/she will be briefed on the operations and business strategies by the Senior Management to familiarise him/her with the Bank and the Group. 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 Islamic banking, corporate governance and compliance, board leaderships, risk management, anti-money laundering, strategic issues and latest development and innovation in the marketplace such as FinTech, digitisation and Blockchain which are relevant to the financial services industry to enable them to keep abreast with the latest developments in the industry. The Directors are also regularly being updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

The Directors have attended various training programmes during FY2019 as follows:

Directors	Training programmes attended by Directors
Tan Sri Dato' Ahmad Bin Mohd Don	<ul style="list-style-type: none"> • Corporate Governance Briefing Session MCG Reporting and CG Guide Bursa • In-house Board Briefing on Anti-Money Laundering • FIDE Core Programme (Module A) • Sunway Leaders Conference 2018 • In-house IBM Blockchain World WireTM: The New Normal in Global Payments
Kuah Hun Liang	<ul style="list-style-type: none"> • In-house Board Briefing on Anti-Money Laundering • FIDE : Emerging Risks, the Future Board, and Return on Compliance • FIDE Forum: Dialogue with Senior Officials of Bank Negara Malaysia • Islamic Finance for Board of Directors Programme • In-house IBM Blockchain World WireTM: The New Normal in Global Payments • FIDE Forum: Reading the Signs: The Next Financial Crisis and Potential Impact on Asia
Ou Shian Waei	<ul style="list-style-type: none"> • 5th BNM-FIDE FORUM Annual Dialogue • FIDE Forum: Win the Innovation Race: Unlocking the creative power of Asians by Professor Roy Chua • In-house Board Briefing on Anti-Money Laundering • 1st PIDM-FIDE Forum Annual Dialogue • FIDE Forum Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader" • FIDE Forum : Identifying Your Next Talent • BNM-Fide Forum : Board Conversations (Banks and DFIs) • In-house IBM Blockchain World WireTM: The New Normal in Global Payments • FIDE Forum: Focus Group Discussion - in preparation for the 6th BNM-FIDE FORUM Annual Dialogue • FIDE Forum: Reading the Signs: The Next Financial Crisis and Potential Impact on Asia
Lee Ah Boon	<ul style="list-style-type: none"> • Enterprise Risk Management: The New Paradigm • In-house Board Briefing on Anti-Money Laundering • FIDE Forum Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader" • Powertalk Effective Board in a VUCA World • SID: MCD 2 - Corporate Culture and the Role of The Board • In-house IBM Blockchain World WireTM: The New Normal in Global Payments • Islamic Finance for Board of Directors Programme • FIDE: Emerging Risk the Future Board and Return on Compliance • Capital Market Director Programme

Directors	Training programmes attended by Directors
Datuk Wan Azhar Bin Wan Ahmad	<ul style="list-style-type: none"> • FIDE: Understanding Fintech and Its Implications for Banks • In-house Board Briefing on Anti-Money Laundering • FIDE Forum Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader" • Islamic Finance for Board of Directors Programme • In-house IBM Blockchain World WireTM: The New Normal in Global Payments
Lee Boon Huat	<ul style="list-style-type: none"> • In-house Board Briefing on Anti-Money Laundering • Anti-Money Laundering Training • FIDE: Emerging Risks, the Future Board, and Return on Compliance • FIDE Forum Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader" • Powertalk Effective Boards in a VUCA World • Islamic Finance for Board of Directors Programme • Breakfast Talk on Digital Ethics and Sustainability in a New Economy of Privacy • In-house IBM Blockchain World WireTM: The New Normal in Global Payments
Ho Hon Cheong	<ul style="list-style-type: none"> • In-house Board Briefing on Anti-Money Laundering • 1st PIDM-FIDE Forum Annual Dialogue • FIDE Forum: IBM THINK Malaysia • Powertalk Effective Boards in a VUCA World • BNM-FIDE Forum Board Conversations (Banks and DFIs) • In-house IBM Blockchain World WireTM: The New Normal in Global Payments • ICDM: Powertalk - Revisiting The Misconception of Board Remuneration •
Thayaparan S. Sangarapillai	<ul style="list-style-type: none"> • IFRS 17 Insurance Contracts • Enterprise Risk Management: The New Paradigm • FIDE Forum: IBM THINK Malaysia • MIA: Industry 4.0 and Artificial Intelligence: Building Business Value • FIDE: Credit Risk Management Banking Sector • Islamic Finance for Board of Directors Programme • MICG: Introduction to Corporate Liability Provision: What It Is, How Will My Company be Affected, and What Do I Need to Put in Place by Way of Safeguards? • FIDE: Emerging Risks, the Future Board and Return on Compliance • In-house IBM Blockchain World WireTM: The New Normal in Global Payments • PNB Leadership Forum 2019

Directors	Training programmes attended by Directors
Tan Chian Khong	<ul style="list-style-type: none"> • SID: Sustainable Finance • In-house Board Briefing on Anti-Money Laundering • FIDE: Understanding Fintech and Its Implications for Banks • Enterprise Risk Management: The New Paradigm • SID: Revised Code of Governance Briefing • FIDE: Credit Risk Management Banking Sector • SID: Conference 2018 : Rebooting Globalisation • SID: Board Performance • SID: Board Risks • CPA Australia: CPA Congress 2018 • FIDE: Emerging Risks, the Future Board and Return on Compliance • FIDE Forum Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader" • Powertalk Effective Boards in a VUCA World • SID: MCD 2 - Corporate Culture and the Role of The Board • In-house IBM Blockchain World WireTM: The New Normal in Global Payments • Islamic Finance for Board of Directors Programme
Susan Yuen Su Min	<ul style="list-style-type: none"> • In-house Director Induction Programme • FIDE: Emerging Risks, the Future Board and Return on Compliance • FIDE Forum Dinner Talk: "The Director as Coach": An exclusive dialogue with Dr Marshall Goldsmith and Launch of FIDE Forum's "DNA of a Board Leader" • Bursa: Mandatory Accreditation Program • In-house IBM Blockchain World WireTM: The New Normal in Global Payments • Islamic Finance for Board of Directors Programme
Kung Beng Hong	<ul style="list-style-type: none"> • FIDE: Understanding Fintech and Its Implications for Banks • In-house training on Anti-Money Laundering • Malaysia's Palm Oil Industry in the Post-GE14 Era

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 agreed Terms of Reference, which are approved by the Board and reviewed at every two years interval or as and when necessary. Any proposed changes to the Terms of Reference of the Board Committees are subject to the approval of the Board. The Terms of Reference of the Board Committees are available on the Bank's website at www.alliancebank.com.my.

EXCO

The EXCO reviews/vetoes loan/financing applications with total group exposure which are within its approval limits set by the Board and approves credit transactions/exposures with connected parties classified under BNM Guidelines on Credit Transactions and Exposures with Connected Parties (BNM/GP6). It also reviews and recommends strategies and business plans 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. Datuk Wan Azhar Bin Wan Ahmad – Independent Non-Executive Director
3. Lee Boon Huat – Independent Non-Executive Director
4. Ou Shian Waei – Independent Non-Executive Director
5. Tan Chian Khong - Independent Non-Executive Director
(Appointed as a member of EXCO on 1 April 2019)
6. Kung Beng Hong – Non-Independent Non-Executive Director
(Stepped down as a member of EXCO with effect from 1 January 2019 following his retirement from the Board)

The EXCO met 13 times during FY2019. 9 were regular meetings scheduled before the start of the financial year while 4 meetings were ad hoc meetings convened to consider exigency matters. Details of each EXCO Member's attendance during FY2019 are as follows:

No.	EXCO Members	Attendance	Percentage
1.	Lee Ah Boon (Chairman)	13/13	100%
2.	Datuk Wan Azhar Bin Wan Ahmad	13/13	100%
3.	Lee Boon Huat	12/13	92%
4.	Ou Shian Waei	13/13	100%
5.	Kung Beng Hong	9/10	90%

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 oversees the design and operation of the Bank's remuneration system. Group NRC also periodically reviews the remuneration of Directors on the Board, and 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.

The members of the Group NRC are as follows:

1. Ou Shian Waei – 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. Lee Ah Boon – Non-Independent Non-Executive Director
5. Susan Yuen Su Min - Independent Non-Executive Director
(Appointed as a member of Group NRC on 1 April 2019)
6. Kung Beng Hong – Non-Independent Non-Executive Director
(Stepped down as a member of Group NRC with effect from 1 January 2019 following his retirement from the Board)
7. Lee Boon Huat – Independent Non-Executive Director
(Member of Group NRC until 31 July 2018)

The Group NRC met 14 times during FY2019. 10 were regular meetings scheduled before the start of the financial year while 4 meetings were ad hoc meetings convened to consider exigency matters. Details of each Group NRC Member's attendance during FY2019 are as follows:

No.	Group NRC Members	Attendance	Percentage
1.	Ou Shian Waei (Chairman)	14/14	100%
2.	Tan Sri Dato' Ahmad Bin Mohd Don	14/14	100%
3.	Datuk Wan Azhar Bin Wan Ahmad	14/14	100%
4.	Lee Ah Boon	14/14	100%
5.	Kung Beng Hong	11/11	100%
6.	Lee Boon Huat	6/6	100%

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

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

The Group AC met 21 times during FY2019. 11 were regular meetings scheduled before the start of the financial year while 10 meetings were ad hoc meetings convened to consider exigency matters.

Details of each Group AC Member's attendance during FY2019 are as follows:

No.	Group AC Members	Attendance	Percentage
1.	Thayaparan S. Sangarapillai (Chairman)	21/21	100%
2.	Kuah Hun Liang	20/21	95%
3.	Datuk Wan Azhar Bin Wan Ahmad	21/21	100%
4.	Ho Hon Cheong	21/21	100%
5.	Tan Chian Khong	20/21	95%

Group RMC

The principal objectives of the Group RMC are to support the Board in meeting the expectations on risk management and compliance as set out in the BNM Policy Document on Risk Governance and BNM Policy Document on Compliance respectively.

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.

The composition of the Group RMC was reconstituted during FY2019. The members of the Group RMC are as follows:

1. Lee Boon Huat – Independent Non-Executive Director/Chairman
(Re-designated as Chairman of Group RMC with effect from 1 January 2019)
2. Ho Hon Cheong – Non-Independent Non-Executive Director
3. Tuan Haji Ibrahim Bin Hassan – Independent Non-Executive Director, AIS
4. Mazidah Binti Abdul Malik – Independent Non-Executive Director, AIBB
5. Thayaparan S. Sangarapillai – Independent Non-Executive Director
(Appointed as a member of Group RMC with effect from 1 January 2019)
6. Kuah Hun Liang – Independent Non-Executive Director/Chairman
(Chairman/Member of Group RMC until 31 December 2018)

In total, the Group RMC met 23 times during FY2019, comprising 18 regular meetings scheduled before the start of the financial year and 5 ad hoc meetings held to consider exigency matters.

Details of each Group RMC Member's attendance during FY2019 are as follows:

No.	Group RMC Members	Attendance	Percentage
1.	Lee Boon Huat (Chairman)	20/23	87%
2.	Ho Hon Cheong	23/23	100%
3.	Tuan Haji Ibrahim Bin Hassan	22/23	96%
4.	Mazidah Binti Abdul Malik	23/23	100%
5.	Thayaparan S. Sangarapillai	2/2	100%
6.	Kuah Hun Liang	21/21	100%

INTERNAL CONTROL FRAMEWORK

The Statement on Risk Management and Internal Control is set out in the 2019 Annual Report.

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 2019 Annual Report. 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 2019 Annual Report.

Frontline Units – 1st Line of Defence

Business Units, aided by Business Support functions, including Business Risk and Credit Underwriting functions and Risk Control Officers 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 is a 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 risks to which the Bank may be exposed 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, to ensure corrective actions are put in place to strengthen the controls.

Shariah Review Team conducts review on the operations of Alliance Islamic Bank Berhad to ensure the products offered are in compliance with Shariah principles. Review results and non-compliances, if any are reported to Alliance Islamic Bank Berhad's Shariah Committee.

Details on the Risk Management Framework and Internal Control System are explained in the Risk Management Report set out in the 2019 Annual Report.

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 governance, risk management and control processes. 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 2019.

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 FY2019 are disclosed on pages 213 to 216 of the 2019 Annual Report.

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 included the introduction of Material Risk Takers as a new category of employees and Deferral Policy to govern deferment of a portion of variable remuneration. The policy review included input from the 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 covered by collective agreements or subject to labour union negotiations are bound by the terms and conditions of such agreements.

The Bank's total compensation 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. This is aligned with prudent risk-taking and incorporates adjustments to reflect:</p> <ul style="list-style-type: none"> i. financial and non-financial measures of business performance; ii. the risks related to the business activities taking into account, where relevant, of the cost of the associated capital. <p>Deferred Cash/Share is also used to achieve the following objectives:</p> <ul style="list-style-type: none"> i. Retain top performers and critical staff; ii. Provide market competitive total compensation; iii. Align the interest of employees with long term sustainability.
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 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 whose responsibilities have a material impact on the Group's performance and risk profile. The variable remuneration of Material Risk Takers and other highly remunerated employees is subject to deferral policy. The deferral serves to align remuneration payment schedules with the time horizon of risks and the potential for financial risks to crystallise over a longer period of time. Under the deferral policy, the variable remuneration is subject to progressive deferral rate up to 40% where deferral rate increases with the higher amount of variable remuneration. The deferred portion or award will vest equally over a period of three years. 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 Senior Management (SMs) and Other Material Risk Takers (OMRTs) of the Bank in respect of FY2019.

- Senior Management of the Group are defined as the Group CEO and members of the Group Management Committee. There were 17 Senior Management in FY2019.
- In addition to all SMs who were identified as MRTs, there were 19 other MRTs in FY2019.

Table 1: Remuneration Awarded to SMs and OMRTs in FY2019

Category	SMs (RM'000)	OMRTs (RM'000)
Fixed Pay	31,242	12,726
Variable Pay – cash based	7,369	2,049
Deferred Variable Pay – cash based	4,030	414

Table 2 : Breakdown of Deferred Remuneration

Category	SMs	OMRTs
Total amount of outstanding deferred remuneration		
• Cash (RM'000)	8,576	1,601
• Shares (RM'000)	-	-
Total amount of deferred remuneration paid out during the financial year		
• Cash (RM '000)	3,602	538
• Shares (RM '000)	-	-
Outstanding deferred remuneration (performance adjustments):		
• Of which exposed to ex-post adjustments	100%	100%
• Reductions in current year due to ex-post adjustments (explicit)	0	0
• Reductions in current year due to ex-post adjustments (implicit)	0	0
Outstanding retained remuneration (performance adjustments)		
• Of which exposed to ex-post adjustments	0	0
• Reductions in current year due to ex-post adjustments (explicit)	0	0
• Reductions in current year due to ex-post adjustments (implicit)	0	0

Examples of explicit ex-post adjustments include malus, clawbacks or similar reversals or downward revaluations of awards.

Examples of implicit ex-post adjustments include fluctuations in the value of shares or performance units.

Table 3: Guaranteed Bonuses, Sign-on Awards and Severance Payment for FY2019

Category	SMs	OMRTs
Number of guaranteed bonuses	-	2
Number of sign-on awards	-	-
Number of severance payments	-	-
Total amounts of above payment made for the financial Year (RM'000)	-	300

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 remuneration.

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.

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ALLIANCE BANK MALAYSIA BERHAD (88103-W)

3rd Floor, Menara Multi-Purpose, Capital Square,
No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.
Tel : 03-2604 3333 Fax : 03-2694 6200