

## **CORPORATE GOVERNANCE REPORT**

**STOCK CODE** : 2488  
**COMPANY NAME** : Alliance Bank Malaysia Berhad  
**FINANCIAL YEAR** : March 31, 2021

### **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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board of Directors ("Board") of Alliance Bank Malaysia Berhad ("the Bank") has the overall responsibility of 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, employees and the general public.</p> <p>In discharging its duties and responsibilities, the Board has established a governance structure where Board Committees have been established to support the Board. The delegation of authority is clearly spelt out in the Terms of Reference of the respective Board Committees. As of to-date, the Board has four (4) Board Committees as follows:</p> <ul style="list-style-type: none"><li>• Executive Committee ("EXCO")</li><li>• Group Audit Committee ("Group AC")</li><li>• Group Nomination &amp; Remuneration Committee ("Group NRC")</li><li>• Group Risk Management Committee ("Group RMC")</li></ul> <p>The Board sets strategies, approves budget and business plans, reviews and monitors the performance of the Management. During the financial year ended 31 March 2021 ("FY2021"), the Board met sixteen (16) times to approve strategies, budget, Group corporate scorecard, business plans, significant policies; and review and monitor the Bank's business and financial performance.</p> <p>At the annual Board strategy meeting, the Board, together with the Senior Management, reviewed the Bank's long term strategy to ensure that it aligns with the Bank's mission, vision, core values and key customer engagement principles. The Board also had a thorough deliberation on the Bank's FY2022 budget and strategic focus areas amid the COVID-19 environment.</p>

	<p>The Board through the EXCO provides oversight on the Bank’s credit matters and implementation of strategies and business plans.</p> <p>The Board through the Group NRC oversees the selection, performance, remuneration and succession plans of the Directors, Group Chief Executive Officer (“Group CEO”) and members of the Senior Management team such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank.</p> <p>The Board through the Group RMC and the Group AC provides oversight on the Bank’s risk management and internal control systems. Given the increasing complexity and prevalent use of technology in the provision of financial services, the Board has designated the Group RMC as the Board-level committee to provide holistic and comprehensive oversight on technology-related matters of the Bank Group.</p> <p>The Board continues to promote, together with Senior Management, a sound corporate culture within the Bank which is “Tone from the Top” to reinforce ethical, prudent and professional behaviour. The Board adopts a zero tolerance stance against any act of bribery and corruption and has put in place an Anti-Bribery and Corruption Policy which outlines the key guiding principles and mitigating controls in place with regards to anti-bribery and corruption.</p> <p>In line with the Bank’s business strategies in promoting sustainability, the Bank contributes to the empowerment and well-being of various stakeholders through its Economic, Environmental and Social initiatives.</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 1.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Tan Sri Dato' Ahmad Bin Mohd Don is the Independent Chairman of the Bank. He was appointed to the Board on 1 February 2017.</p> <p>Tan Sri Dato' Ahmad provides leadership to the Board and exercises his authority as the Chairman to ensure the effective functioning of the Board. During Board meetings, he ensures that discussion on each agenda item is kept to the point at hand. He also ensures that Management provides the Directors with sufficient and appropriate information on a timely manner for sound and well informed decisions by the Board.</p> <p>Tan Sri Dato' Ahmad promotes a culture of openness and transparency. He encourages healthy discussion among Board members, and ensures Board members freely express their views, including dissenting views and shows respect for the ideas and opinions given by each Board member.</p> <p>Tan Sri Dato' Ahmad takes a long term view on the Bank for a sustainable growth and development. He engages with the Group CEO proactively and is supportive of Senior Management by sharing strategic insights as well as giving constructive feedback to Management to effectively manage the operations of the Bank.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

### Practice 1.3

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>Tan Sri Dato' Ahmad Bin Mohd Don is the Chairman while Mr Joel Kornreich is the Group CEO of the Bank.</p> <p>The roles of Tan Sri Dato' Ahmad as Board Chairman and Mr Kornreich as Group CEO are separated, consistent with the principle of good corporate governance to promote accountability and facilitate division of responsibilities between them.</p> <p>Tan Sri Dato' Ahmad, in leading the Board, is responsible for the effective overall functioning of the Board. He maintains a close professional relationship with the Group CEO and his Senior Management team and acts as a mentor as required. He chairs Board meetings as well as general meetings of the Bank and concerns himself with the good order and effectiveness of the Board and its processes.</p> <p>Mr Kornreich as Group CEO, in leading Senior Management, bears the primary responsibility over the day-to-day management of the Bank.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

### Intended Outcome

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

### Practice 1.4

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board is currently supported by a corporate secretarial team led by the Group Company Secretary, Mr Simon Lee Wei Yen, who has more than thirty (30) years of experience in the corporate secretarial function. He is a Practicing Secretary registered with Suruhanjaya Syarikat Malaysia and is an Associate 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.</p> <p>Mr Simon Lee provides counsel to the Board on governance matters and ensures effective information flows between the Board, Board Committees and Senior Management. He 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. He also ensures Board procedures; applicable rules and regulations; and relevant laws are followed and complied with.</p> <p>Mr Simon Lee constantly keeps himself abreast with changes in relevant laws; rules and regulations; and industry development through continuously attending trainings and regular interactions with various stakeholders.</p> <p>The Board assesses the fitness and propriety of Mr Simon Lee annually in accordance with the Group's Policy on Fit and Proper. For FY2021, the Board is satisfied with the performance and support rendered by him as Group Company Secretary.</p>
<b>Explanation for departure</b>	:	

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

## Intended Outcome

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

### Practice 1.5

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>During FY2021, the Board met sixteen (16) times (including two (2) Group Strategy and Budget meetings to review progress reports on the Bank's business and financial performance including Management's actions and measures in managing the impact of the Covid-19 pandemic; approve budget, strategies, business plans and significant policies and consider business and other proposals which require the Board's approval. All Directors are informed of the scheduled dates of Board meetings before the start of the calendar year. Ad-hoc Board meetings are held to deliberate and consider 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 made available on a secured board portal well in advance of the date of meetings to provide sufficient time for the Board members' prior reading.</p> <p>Minutes of Board and Board Committees meetings are circulated to the Board members on a timely manner for their review to ensure that the minutes accurately record the deliberations and decisions of the Board and Board Committees.</p> <p>Senior Management and advisers 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 any time 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 Board may have access to independent advisers when it sees a need. If it is appropriate for a Director to obtain external professional advice, separate from advice obtained on behalf of the Bank, this would be arranged in consultation with the Chairman and the advice</p>



	so obtained would ordinarily be provided to all directors.	
<b>Explanation for departure</b>		
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<b>Measure</b>		
<b>Timeframe</b>		

**Intended Outcome**

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

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

**Practice 2.1**

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has a Board Charter that 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 every two (2) years, 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, structure and capital, financial reporting and controls, communication with shareholders and on regulatory issues, Board membership and other appointments, remuneration and delegation of authority.</p> <p>The roles of the Chairman, Senior Independent Director, Non-Executive Directors and Group CEO are clearly identified and set out in the Board Charter.</p> <p>The Board Charter is reviewed by the Board every two (2) years, or as and when necessary, with the last revision being made on 30 September 2020.</p> <p>The Board Charter is published on the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p>

<b>Explanation for departure</b>	:			
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<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td> <td></td> </tr> </table>		

### Intended Outcome

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

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

### Practice 3.1

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Bank has a Code of Conduct that sets out the principles and standards of business and 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"><li>(a) Compliance with laws, regulations, internal policies and procedures;</li><li>(b) Avoidance of conflict of interest;</li><li>(c) Misuse of position;</li><li>(d) Misuse of information and insider trading;</li><li>(e) Reject bribery and corruption;</li><li>(f) Respect customer confidentiality and data privacy; and</li><li>(g) Stay alert to money laundering, terrorism and fraud.</li></ul> <p>To underscore the importance of adherence to and observance of the Bank's Code of Conduct, our employees refresh their knowledge 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 <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p> <p>The Directors also adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia and the Group's Conflict of Interest Policy for Directors.</p>

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

## Intended Outcome

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

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

## Practice 3.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>In line with the Bank's strive for sustained ethical business practices, the Bank has put in place a Whistleblower Policy that is designed to provide a platform for employees to report instances of unethical behaviour, abuse, actual or suspected fraud, harassment, discrimination, misappropriation of assets, bribery or other misconduct or illegal activities within the Bank.</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, when the concerns are raised in good faith.</p> <p>In addition to the internal reporting channels, employees could also direct their whistleblower complaints to external regulators and/or law enforcement agencies such as Bank Negara Malaysia ("BNM") and Securities Commission Malaysia.</p> <p>The Chairman of the Group NRC, who is an Independent Director, is the designated person appointed to be responsible for the effective implementation of the Whistleblower Policy. The Group NRC also has regular oversight of the whistleblower complaints and investigations carried out.</p> <p>Together with the Chairman of the Group NRC, the Chairman of the Board, the Chairman of the Group AC, and the Group CEO are also involved in the whistleblower processes. The Bank Board and the Board of the respective principal subsidiaries are informed of any relevant whistleblower investigation/findings.</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 <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a>.</p>

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

**Intended Outcome**

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

**Practice 4.1**

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As at 31 March 2021, the Board had eight (8) members, comprised of Non-Executive Directors, six (6) 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 Board's decision-making process.</p> <p>The Independent Directors are not involved in the day-to-day management of the Bank or in any of the Bank's business dealings to remain free of any conflict of interest in undertaking their roles and responsibilities as Independent Directors effectively.</p>
<b>Explanation for departure</b>	:	
	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	



## Intended Outcome

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

### Practice 4.2

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

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

Application	:	Not applicable - Step Up 4.3 adopted	
Explanation on application of the practice	:		
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

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

### Practice 4.3 - Step Up

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has adopted a policy which limits the tenure of its Independent Directors to nine (9) years.</p> <p>The Board Charter does not allow any Independent Director to continue serving on the Board as a Non-Independent Non-Executive Director upon completion of the nine (9)-year term.</p> <p>For FY2021, the Board did not have any Independent Directors who had exceeded the nine (9)-year term limit.</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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group NRC is responsible for assessing the appointment of new Directors, Shariah Committee members, members of Senior Management 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 appointments, the Group NRC considers the diversity of skills, knowledge and experience, as well as the 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 assesses the candidates on the following criteria:</p> <ul style="list-style-type: none"><li>(a) Not be disqualified under section 59(1) of the Financial Services Act 2013;</li><li>(b) Comply with the fit and proper requirements of the Bank;</li><li>(c) Not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;</li><li>(d) Not be an active politician;</li><li>(e) Not be a partner of a firm that 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 three (3) years after:<ul style="list-style-type: none"><li>(i) he/she ceases to be an officer or partner of that firm; or</li><li>(ii) the firm last served as an auditor of the Bank; and</li></ul></li><li>(f) Preferably at a minimum, holds a degree qualification and/or other equivalent qualification(s) with at least five (5) years in senior managerial position.</li></ul> <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.</p> <p>The Group NRC 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	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board has adopted a Board Gender Diversity Policy in July 2018 which 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's representation 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, through the Group NRC, has taken steps to ensure that women candidates are given priority consideration in the selection and recruitment process for Directors toward achieving the gender diversity target of 30% women's representation.</p> <p>As at the date of this report, the Board has two (2) female Directors making a total of two (2) women Directors or 22% women's</p>

	representation on the Board. The Board will continue its endeavour to meet its gender diversity target of 30% women’s representation on the Board.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	Group NRC continues to identify potential women candidates from all relevant sources such as Directors Register maintained by the Financial Institutions Directors’ Education (“FIDE”) Forum and other leadership development and consulting organisations to facilitate the appointment of more women Directors to the Board.
Timeframe	:	By financial year ending 31 March 2022

### Intended Outcome

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

### Practice 4.6

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group NRC is guided by the Group Board Succession Plan 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 FY2021, other than the recommendations from existing Board members, the Group NRC had also sourced from the FIDE Forum's Directors Register in identifying suitable candidates for appointment to the Board.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 4.7**

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

Application	:	Applied	
Explanation on application of the practice	:	The Group NRC is chaired by Ms Susan Yuen Su Min, 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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><u>BOARD EFFECTIVENESS ASSESSMENT</u></p> <p>The Board Effectiveness Assessment is carried out by the Group NRC annually to assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director.</p> <p><b>Step 1: Completion of Comprehensive Questionnaire</b></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 pre-established criteria in the following areas:</p> <ul style="list-style-type: none"><li>a. Board Composition/Structure;</li><li>b. Board Process;</li><li>c. Board Governance; and</li><li>d. Major Responsibilities of the Board.</li></ul> <p>II. Individual Directors' Self-Assessment</p> <p>For individual Directors' assessments, Self-Assessment Forms by Individual Directors are completed individually by each 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 as the Individual Directors' 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 pre-established criteria in the following areas:</p> <ul style="list-style-type: none"><li>a. Committee Governance; and</li></ul>



	<p>b. Accountability and Responsibilities.</p> <p><b>Step 2: Reporting and Discussion with the Group NRC and the Board</b></p> <p>The results of annual Board Effectiveness Assessment of the Board as a whole, the Board Committees and the contribution of each individual Director are compiled for deliberation by the Group NRC, the respective Board Committees and the Board for improvement, where necessary.</p> <p>For FY2021, the Board has deliberated on the results of the annual Board Effectiveness Assessment, including the required mix of skills and experience of the Directors, their fitness and propriety, the independence of the Independent Directors and the training programmes attended by the Directors, and was satisfied that the Board has fulfilled its duties and responsibilities for the proper stewardship of the Bank and that appropriate processes are in place to ensure that it performs its oversight role effectively.</p> <p>One of the key improvement areas identified by the Board in the FY2021 annual Board Effectiveness Assessment exercise was the need to put in place a recovery and resolution plan for the Bank in FY2022.</p> <p>The Group NRC has been tasked to follow up on this matter and other feedback from Board members as part of the Board's continuous improvement process.</p> <p>The Board plans to engage an external consultant to perform the annual Board Effectiveness Assessment for FY2022 to assist with and lend objectivity to the annual Board assessment process.</p> <p><b><u>FITNESS AND PROPRIETY ASSESSMENT</u></b></p> <p>The Board, through the Group NRC, assesses the fitness and propriety of each of the Directors in accordance with the Group's Policy on Fitness and Propriety in conjunction with the annual Board Effectiveness Assessment exercise. All Directors are required to complete a Fitness &amp; Propriety Declaration annually. The Fitness &amp; Propriety Declarations by the Directors are verified against independent sources.</p> <p>For FY2021, the Board was satisfied that each of the Directors had met the required standard of fitness and propriety.</p>
<p><b>Explanation for departure</b></p>	<p>:</p>

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

## Intended Outcome

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

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

### Practice 6.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><b>Non-Executive Directors</b></p> <p>The objective of the Group's Policy on Directors' remuneration is to attract and retain Directors needed to steer the Bank towards achieving its goals effectively. The determination of the Non-Executive Directors' remuneration is a matter for the Board as a whole. The level of remuneration of Non-Executive Directors is linked to their level of responsibilities.</p> <p>All Non-Executive Directors are paid fixed annual Director fees and sitting allowance for each Board or Board Committee meeting attended. In addition, Non-Executive Directors also receive other benefits including outpatient medical reimbursement, Group Hospitalisation &amp; Surgical coverage and Directors &amp; 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>The remuneration of the Non-Executive Directors will be tabled to the shareholders of the Bank for approval at the forthcoming 39<sup>th</sup> Annual General Meeting ("AGM") to be held on 25 August 2021.</p> <p><b>Senior Management</b></p> <p>The Bank has established a Remuneration Policy that governs the design and management of remuneration for employees. The Remuneration Policy is elaborated in Section B of this Corporate Governance Report.</p> <p>The Remuneration Policy is reviewed and endorsed by the Group NRC and approved by the Board on a periodic basis and whenever material</p>

	<p>changes are required. The Remuneration Policy review includes input from the Risk and Control functions.</p> <p>The Group NRC and Board also approve the Bank's risk adjusted performance bonus pool, utilisation of the provision for annual salary increments and any long-term incentives.</p>	
<b>Explanation for departure</b>	:	
<p><i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i></p>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 6.2

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

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

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

## Intended Outcome

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

### Practice 7.1

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

Application	:	Applied	
Explanation on application of the practice	:	The details on the remuneration of individual Directors of the Bank in respect of FY2021 are disclosed on a named basis on page 207 of the 2021 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.

<b>Application</b>	:	Departure
<b>Explanation on application of the practice</b>	:	
<b>Explanation for departure</b>	:	<p>The Board is of the opinion that such disclosure would not be to the Bank's advantage in view of the competitive market for talents in the financial industry.</p> <p>As an alternative to the recommended disclosures, the remuneration of key management personnel i.e. the Group CEO and CEOs of subsidiaries were disclosed on a named basis in the Audited Financial Statements of the Bank for FY2021. Senior Management's remuneration is disclosed on a Group basis in Section B of this Corporate Governance Report.</p>
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Board will closely observe the market practice on such disclosures for future consideration.
<b>Timeframe</b>	:	Others.

### **Intended Outcome**

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

### **Practice 7.3 - Step Up**

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

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



### Intended Outcome

There is an effective and independent Audit Committee.

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

### Practice 8.1

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Chairman of the Group AC is not the Chairman of the Bank Board.  Mr Tan Chian Khong is the Chairman of the Group AC while Tan Sri Dato' Ahmad Bin Mohd Don is the Chairman of the Board and this enables the Board to objectively review the Group AC's findings and recommendations.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.2

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	The Terms of Reference of the Group AC sets out, among others, that any former key audit partner of the External Auditors shall observe a cooling-off period of at least three (3) years before being appointed as a member of the Group AC.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.3

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

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

**Intended Outcome**

There is an effective and independent Audit Committee.

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

**Practice 8.4 - Step Up**

The Audit Committee should comprise solely of Independent Directors.

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

## Intended Outcome

There is an effective and independent Audit Committee.

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

## Practice 8.5

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Group AC is led by Mr Tan Chian Khong, who was appointed as Chairman of the Group AC on 19 August 2020. He is a Fellow of the Institute of Singapore Chartered Accountants and of CPA Australia and a Member of the American Institute of Certified Public Accountants with thirty-five (35) years of experience in the audit industry.</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 programmes to keep themselves abreast of relevant developments in the financial services industry, including accounting and auditing standards, practices and rules during FY2021:</p> <ul style="list-style-type: none"><li>• In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li><li>• In-house Anti Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li><li>• Shariah Investing Dialogue 2021</li><li>• AIA Singapore: Anti-Money Laundering/Countering Financing of Terrorism</li><li>• ICDM: How to Be An Effective Non-Executive Director in a Disruptive World</li><li>• FIDE Forum Webinar: Rethinking Our Approach to Cyber Defence in Financial Institutions.</li><li>• MIA-IIA: Audit Committee Conference 2021 – "Agility, Empathy &amp; Resilience: How Audit Committee Will Thrive in the New Normal"</li><li>• ICLIF: Raising Defenses: Section 17A of the Malaysian Anti-Corruption Act 2009 (MACC Act)</li><li>• IVAS-IVSC Business Valuation Virtual Conference 2020</li></ul>

	<ul style="list-style-type: none"> <li>• Singapore Institute of Directors ("SID"): Corporate Governance Round Up</li> <li>• Hong Leong 7<sup>th</sup> Sustainability Forum</li> <li>• SID: Audit Committee Seminar 2021</li> <li>• SID: Reimagining Your Cyber Security Strategy</li> <li>• EY Singapore Budget 2021: Main Webcast</li> </ul> <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>	
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

### Practice 9.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board has an overall responsibility in maintaining a system of internal control covering not only financial controls but also controls relating to 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 BNM and the agreed recommendations to enhance the control system are highlighted to the Group AC for monitoring until 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"><li>• Regular and comprehensive management reports are made available to the Board on a regular basis, covering financial performance and key business indicators, which allow for effective monitoring of significant variances between actual performance against budgets and plans;</li><li>• Clearly defined delegation of responsibilities to Committees of the Board and to Management including organisation structures and appropriate authority levels;</li><li>• A code of conduct, human resource policies and performance reward system to support business objectives, risk management and the system of internal control;</li><li>• A proper procedure to control applications and the environment of computer information systems;</li><li>• Regular update of internal policies and procedures to reflect</li></ul>

	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.  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 2021 Annual Report.			
<b>Explanation for departure</b>	:			
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>				
<b>Measure</b>	:			
<b>Timeframe</b>	:	<table border="1"> <tr> <td></td><td></td></tr> </table>		



## Intended Outcome

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

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

## Practice 9.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	The Board has assessed the adequacy and effectiveness of the risk management and internal control system of the Bank, and is of the view that it is operating adequately and effectively, in all material aspects. The risk management framework and internal control system is disclosed in the Statement on Risk Management and Internal Control, and Risk Management Report in the 2021 Annual Report.
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## Intended Outcome

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

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

## Practice 9.3 - Step Up

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

<b>Application</b>	:	Adopted
<b>Explanation on adoption of the practice</b>	:	<p>The Board has established a Group RMC comprising a majority of Independent Directors.</p> <p>The Group RMC oversees the Senior Management's activities in managing risks which cover among others, credit, market, operational, technology and other risks as well as ensures compliance with regulations. This includes ensuring a sound risk strategy and that the risk management framework is functioning according to its purposes. It also actively promotes a consistent compliance, risk awareness and management culture within the Group. Its oversight role includes approving and deliberating on risk and compliance strategies, policies and methodologies and other related matters.</p> <p>Its primary functions include:</p> <ul style="list-style-type: none"><li>• Reviewing risk management strategies, policies and risk tolerance.</li><li>• Reviewing and assessing adequacy of risk management policies and framework as well as information technology (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.</li><li>• Ensuring that infrastructure, resources and systems are in place for risk management and compliance functions, and that the staff responsible for implementing risk management and compliance functions perform those duties independently of the Bank's risk taking activities.</li><li>• 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.</li><li>• 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 on compliance issues to ensure that such issues are resolved effectively and expeditiously.</li><li>• Support the Board in meeting the expectations on risk management as set out in BNM's policy document on Risk Governance,</li></ul>

	<p>Compliance and Technology Risk.</p> <ul style="list-style-type: none"> <li>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 Group NRC.</li> </ul> <p>The Group RMC also oversees technology-related matters which among others, include the following:</p> <ul style="list-style-type: none"> <li>Formulation of long term strategic IT plan and ensure the IT strategic plan supports the Group's strategic business plan.</li> <li>Approval and monitoring of major IT initiatives and plans.</li> <li>Ensure the establishment of key performance indicators and service level agreements in measuring the performance of IT services delivered or received.</li> </ul>
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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.

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The purpose, authority, scope, independence and responsibilities of Group Internal Audit ("GIA") 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"><li>• Oversee the internal audit function and ensure compliance with requirements of regulators;</li><li>• Review internal audit reports and ensure that appropriate actions are taken by Senior Management in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other issues identified by the internal audit;</li><li>• Appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the GCIA;</li><li>• Ensure the compensation scheme of the internal auditors is consistent with the objectives and the demands of the internal audit function;</li><li>• Note any significant disagreements between the GCIA and the rest of the Senior Management irrespective of whether these have been resolved, in order to identify any impact the disagreements may have on the audit process or findings;</li><li>• Ensure the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness; and</li><li>• Be able to convene meetings with the internal auditors, excluding the attendance of other Directors and employees of the Bank and its subsidiaries.</li></ul> <p>The Group AC also reviews and approves 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 2021 Annual Report.</p>

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

## Intended Outcome

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

### Practice 10.2

The board should disclose—

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p><u>Independence of GIA Personnel</u></p> <p>GIA is an independent appraisal function set up by the Board to objectively examine and evaluate the Bank's activities; and make recommendations to improve the effectiveness of the risk management and governance processes, internal control &amp; compliance framework and information systems.</p> <p>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 over 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>GIA Resources</u></p> <p>As at 31 March 2021, GIA had thirty-five (35) audit personnel.</p> <p><u>GCIA</u></p> <p>The GIA function is currently headed by Ms Shamita Atputharaja, the Acting GCIA. Shamita took over this role in February 2021. She has more than twenty (20) years of external and internal audit experience. Shamita is an Association of Chartered Certified Accountants ("ACCA") (UK) qualified accountant, a Chartered Accountant with the Malaysian Institute of Accountants and a Chartered Banker with the Asian Institute of Chartered Bankers ("AICB") and the Chartered Banker Institute (UK). Shamita has also completed the Certificate in Internal Auditing for Financial Institutions ("CIAFIN") and Certification For Bank Auditors ("CBA") from the AICB..</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.	
<b>Explanation for departure</b> :		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b> :		
<b>Timeframe</b> :		

## Intended Outcome

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

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

### Practice 11.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The Board acknowledges the importance of regular communication with its stakeholders. In addition to timely and comprehensive announcements, the Board endeavours to maintain constant and effective communication through the following platforms amongst others:</p> <p><u>General meetings</u></p> <p>The Board regards the Annual General Meeting ("AGM") as an opportunity to communicate directly with shareholders and encourages shareholders' attendance and participation. Shareholders who are unable to attend the AGM may appoint proxies to attend and vote at the AGM on their behalf. Shareholders and their proxies are given the opportunities to raise questions on the Bank and the Directors and Senior Management Officers of the Bank are available to address any questions raised. Minutes of the AGM are published on the Bank's website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a></p> <p><u>Press conference</u></p> <p>The Bank conducts a press conference immediately after the AGM to communicate with media on the Bank's key financial performance highlights, major corporate developments and business initiatives.</p> <p><u>Analyst briefing</u></p> <p>The Investor Relations team engages with the financial community, stakeholders and other key constituencies of the Bank to provide consistent, accurate, transparent and timely information. In FY2021, briefings for analysts were conducted every quarter on a virtual basis in view of Covid-19 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 participated in virtual meetings and webinars 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</p>



	<p>opportunity to manage investors' expectations and strengthen their understanding of the Bank.</p> <p>The investing public can contact the Head of Investor Relations, Mr Tan Hong Ian at 03-2604 3370 or <a href="mailto:investor_relations@alliancefg.com">investor_relations@alliancefg.com</a>, for any investor relations matters.</p> <p><u>Corporate website</u> Stakeholders can access the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a> for information of the Bank. There is a dedicated section for corporate governance on the Bank's corporate website where information such as the Board Charter; Code of Conduct; Conflicts of Interest Policy for Directors; 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 of 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><u>Social media</u> In addition, the Bank also leverages on social media as a communication channel with stakeholders as this channel allows immediate and easy access to the latest information on the Bank's products and services as well as serves as a platform to obtain feedback from the stakeholders.</p> <p><u>Internal employee portal</u> Internally, the Bank strives to maintain an open and two-way communication with employees. Through the Bank's internal employee portal i.e. inAlliance Portal, employees are kept up-to-date on the Bank's performance, strategies, corporate development and business accomplishment; internal policies and procedures; occupational safety, health and well-being updates; employees' engagement activities, etc. Employees are encouraged to actively provide their feedback and ideas through the inAlliance Portal.</p> <p>Stakeholders may also convey their concerns and enquiries to Mr Lee Boon Huat, the Bank's Senior Independent Director, as an alternative to the formal channel of communication. All correspondence to the Senior Independent Director can be sent via email to <a href="mailto:sid@alliancefg.com">sid@alliancefg.com</a> or by mail to the registered office of the Bank at 3rd Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur, Malaysia.</p>
Explanation for departure	:

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

### Intended Outcome

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

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

### Practice 11.2

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>As part of our commitment to good governance practices, the Bank has embarked on its integrated reporting (&lt;IR&gt;) journey by applying selected content elements and guiding principles of the International Integrated Reporting Framework issued by the International Integrated Reporting Council in its Annual Report 2021.</p> <p>The Bank's unique value creation business model provides a clear and concise articulation of the Bank's short, medium and long term business value and stewardship to empower our key stakeholders.</p> <p>The Board is committed in communicating value creation in a transparent method as a key element in the Bank's effectiveness in corporate governance practices.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	The Bank will progressively improve its <IR> in line with the Integrated Reporting Framework by incorporating more of the content elements and guiding principles over the next financial year.
<b>Timeframe</b>	:	By financial year ending 31 March 2022.

## Intended Outcome

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

### Practice 12.1

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The notice of the Bank's 39<sup>th</sup> AGM to be held on 25 August 2021 is given to the shareholders on 26 July 2021, effectively serving 29 clear days' of notice.</p> <p>The shareholders can have an immediate access to the 2021 Annual Report including the notice of 39<sup>th</sup> AGM and proxy form from the Bank's corporate website at <a href="http://www.alliancebank.com.my">www.alliancebank.com.my</a></p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

**Intended Outcome**

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

**Practice 12.2**

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

<b>Application</b>	:	Applied	
<b>Explanation on application of the practice</b>	:	All Directors had attended the 38 <sup>th</sup> AGM of the Bank which was held virtually on 19 August 2020.  For the forthcoming 39 <sup>th</sup> virtual AGM to be held on 25 August 2021, all Directors, including the Chair of the Group AC, Group NRC, Group RMC and EXCO have confirmed their attendance.	
<b>Explanation for departure</b>	:		
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>			
<b>Measure</b>	:		
<b>Timeframe</b>	:		

## Intended Outcome

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

### Practice 12.3

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

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

<b>Application</b>	:	Applied
<b>Explanation on application of the practice</b>	:	<p>The 38<sup>th</sup> AGM of the Bank which was held on 19 August 2020 as a virtual meeting through live streaming and online remote voting, has facilitated voting in absentia and remote participation by shareholders.</p> <p>The 39<sup>th</sup> AGM to be held on 25 August 2021 will also be a virtual meeting through live streaming and online remote voting which would facilitate voting in absentia and remote participation by shareholders.</p>
<b>Explanation for departure</b>	:	
<i>Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</i>		
<b>Measure</b>	:	
<b>Timeframe</b>	:	

## 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 Chairman
2. Lee Boon Huat – Senior Independent Director
3. Lee Ah Boon – Non-Independent Non-Executive Director
4. Datuk Wan Azhar Bin Wan Ahmad – Independent Director
5. Ho Hon Cheong – Non-Independent Non-Executive Director
6. Tan Chian Khong – Independent Director
7. Susan Yuen Su Min – Independent Director
8. Lum Piew - Independent Director  
(Appointed on 1 July 2020)
9. Cheryl Khor Hui Peng – Independent Director  
(Appointed on 1 June 2021)
10. Thayaparan S. Sangarapillai – Independent Director  
(Retired on 19 August 2020)

The key personal details and background of the Directors are disclosed in the 2021 Annual Report.

Save as disclosed below, none of the other Directors had any interest in the shares of the Bank as at 31 March 2021:

Name	No. of Alliance Bank shares held			
	Direct	%	Indirect	%
Ho Hon Cheong	-	-	1,000 <sup>^</sup>	*

#### Notes:

\* Negligible

<sup>^</sup> Indirect interest in the Bank's shares by virtue of Section 59(11)(c) of the Companies Act 2016

#### Roles and responsibilities of the 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

Since the beginning of FY2021, in line with the implementation of Movement Control Order by the government for travel restrictions, social distancing and other measures to reduce the spread of Covid-19, during the financial year, all Board and Board Committee meetings were held by way of

video calls to limit face-to-face contact with each other.

During FY2021, the Board met sixteen (16) times during FY2021, including two (2) meetings to review and approve the Strategy and Budget of the Group. Twelve (12) meetings were scheduled meetings while four (4) meetings were ad-hoc meetings to consider exigency matters.

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 good attendance at the Board meetings held during FY2021 as reflected below:

No.	Name of Directors	Attendance	Percentage
1.	Tan Sri Dato' Ahmad Bin Mohd Don	16/16	100%
2.	Lee Boon Huat	16/16	100%
3.	Lee Ah Boon	16/16	100%
4.	Datuk Wan Azhar Bin Wan Ahmad	16/16	100%
5.	Ho Hon Cheong	16/16	100%
6.	Tan Chian Khong	16/16	100%
7.	Susan Yuen Su Min	16/16	100%
8.	Lum Piew	10/10	100%
9.	Thayaparan S. Sangarapillai	6/7	86%

#### **Board training and development**

Continuous training is vital for the Directors to gain insights and keep abreast with the development in the industry to further enhance their skills and knowledge in discharging their roles and responsibilities effectively. The training needs of the Directors are assessed on a yearly basis by the Group NRC and a Board Development Plan is recommended to the Board for approval and adoption. This is to ensure the Directors are accorded the appropriate training required.

While the Directors are expected to have personal development skills to improve themselves, they are encouraged to attend a minimum of three (3) training programmes related to 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 (2) training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast with latest developments.

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 the Mandatory Accreditation Programme, the FIDE Core Programme and Islamic Finance for Board Programme. Upon appointment, a new Director will attend an in-house orientation programme within three (3) months of the appointment where he/she will be briefed on operations and business strategies by the Senior Management to familiarise him/her with the Bank and the Group. Directors also receive guidance from the Group 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, compliance, risk management, anti-money laundering, anti-bribery and corruption, climate change, strategic issues,



cyber and emerging risks, sustainability and latest development, innovation and disruptive technology in the financial services industry to keep abreast with the latest industry developments. All Directors are also regularly being updated on new requirements affecting their responsibilities and are constantly reminded of their obligations.

During FY2021, the Directors attended various training programmes via webinar detailed as follows:

Directors	Training programmes attended by Directors
Tan Sri Dato' Ahmad Bin Mohd Don	<ol style="list-style-type: none"> <li>1. SID: LED 1: Listed Entity Director Essentials</li> <li>2. SID: LED 2: Board Dynamics</li> <li>3. SID: LED 3: Board Performance</li> <li>4. SID: LED 4: Stakeholder Engagement</li> <li>5. SID: LED 5: Audit Committee Essentials</li> <li>6. SID: LED 6: Board Risk Committee Essentials</li> <li>7. SID: LED 7: Nominating Committee Essentials</li> <li>8. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>9. ICDM: How To Be An Effective NED in a Disruptive World</li> <li>10. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> </ol>
Lee Boon Huat	<ol style="list-style-type: none"> <li>1. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>2. SID: Audit Committee Seminar 2021</li> <li>3. SID: Reimagining Your Cyber Security Strategy</li> <li>4. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> <li>5. FIDE Forum Webinar: Rethinking Our Approach to Cyber Defence in FIs</li> </ol>
Lee Ah Boon	<ol style="list-style-type: none"> <li>1. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>2. FIDE Forum Webinar: Climate Action: The Board's Leadership in Greening the Financial Sector</li> <li>3. FIDE Forum Webinar: Green Fintech: Ping An's Use of Technology to Support Green Finance Objectives</li> <li>4. ICDM: How To Be An Effective NED in a Disruptive World</li> <li>5. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> <li>6. FIDE Forum Webinar: Rethinking Our Approach to Cyber Defence in FIs</li> </ol>
Datuk Wan Azhar Bin Wan Ahmad	<ol style="list-style-type: none"> <li>1. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>2. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> <li>3. Shariah Investing Dialogue 2021</li> </ol>
Ho Hon Cheong	<ol style="list-style-type: none"> <li>1. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>2. AIA Singapore: Anti-Money Laundering/Countering Financing of Terrorism</li> <li>3. ICDM: How To Be An Effective NED in a Disruptive World</li> <li>4. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> </ol>

	<ol style="list-style-type: none"> <li>5. FIDE Forum Webinar: Rethinking Our Approach to Cyber Defence in FIs</li> <li>6. MIA-IIA: Audit Committee Conference 2021 - "Agility, Empathy &amp; Resilience: How Audit Committee Will Thrive in the New Normal".</li> </ol>
Tan Chian Khong	<ol style="list-style-type: none"> <li>1. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>2. Iclif: Raising Defenses: Section 17A, MACC Act</li> <li>3. IVAS-IVSC Business Valuation Virtual Conference 2020</li> <li>4. SID: Corporate Governance Round Up</li> <li>5. Hong Leong 7th Sustainability Forum</li> <li>6. SID: Audit Committee Seminar 2021</li> <li>7. SID: Reimagining Your Cyber Security Strategy</li> <li>8. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> <li>9. EY Singapore Budget 2021 - Main Webcast</li> <li>10. FIDE Forum Webinar: Rethinking Our Approach to Cyber Defence in FIs</li> </ol>
Susan Yuen Su Min	<ol style="list-style-type: none"> <li>1. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>2. FIDE Forum Webinar: Climate Action: The Board's Leadership in Greening the Financial Sector</li> <li>3. ICDM: How To Be An Effective NED in a Disruptive World</li> <li>4. BoardRoom: Corporate Liability Provision</li> <li>5. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> </ol>
Lum Piew	<ol style="list-style-type: none"> <li>1. In-house Induction Programme (Day 1)</li> <li>2. Iclif: Mandatory Accreditation Programme for Directors of Public Listed Companies</li> <li>3. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>4. In-house Induction Programme (Day 2)</li> <li>5. Directors Core Programme (Module A)</li> <li>6. Directors Core Programme (Module B)</li> <li>7. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> </ol>

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 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 and the exercise of its oversight role:

- EXCO
- Group NRC
- Group AC

- **Group RMC**

The Group NRC, Group AC and Group RMC operate on a Group basis covering the Bank and its two (2) principal subsidiaries, namely Alliance Islamic Bank Berhad (“AIS”) and Alliance Investment Bank Berhad (“AIBB”). The Terms of Reference, approved by the Board for each Board Committee, are reviewed every two (2) years 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 Group NRC, Group AC and Group RMC are available on the Bank’s website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

## **EXCO**

The EXCO supports the Board in credit matters. It reviews/vetoes loan/financing applications with total Group exposure which are above the defined threshold of Group Management Credit Committee. It also reviews new/incremental AIS financing that exceeds the threshold of the AIS Management Credit Committee; and make recommendation(s) to the AIS Board.

In addition, the EXCO reviews and approves credit transactions/exposures with connected parties classified under BNM Guidelines on Credit Transactions and Exposures with Connected Parties (“BNM/GP 6”). The EXCO also reviews strategic investments or divestments as well as the Bank’s strategies and business plans for recommendation to the Board where applicable, and oversees their implementation.

The members of the EXCO are as follows:

1. Lee Ah Boon - Chairman
2. Datuk Wan Azhar Bin Wan Ahmad
3. Lee Boon Huat
4. Tan Chian Khong

During FY2021, the EXCO met fourteen (14) times. Eleven (11) were regular meetings while three (3) meetings were ad-hoc meetings convened to consider exigency matters. Details of each EXCO member’s attendance during FY2021 are as follows:

No.	EXCO members	Attendance	Percentage
1.	Lee Ah Boon (Chairman)	14/14	100%
2.	Datuk Wan Azhar Bin Wan Ahmad	14/14	100%
3.	Lee Boon Huat	14/14	100%
4.	Tan Chian Khong	14/14	100%

## **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 Group Company Secretary:

- Appointments and removals;
- Composition of the Boards;
- Performance evaluation and development; and
- Fitness and propriety assessments.

The Group NRC also actively oversees the design and operations of the Bank's remuneration system. It periodically reviews the remuneration of Directors on the Board, and whether the remuneration remains appropriate to each Director's contribution, taking into account the level of expertise, commitment and responsibilities undertaken.

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

The members of the Group NRC are as follows:

1. Susan Yuen Su Min - Chairman
2. Tan Sri Dato' Ahmad Bin Mohd Don
3. Datuk Wan Azhar Bin Wan Ahmad
4. Lee Ah Boon

During FY2021, the Group NRC met twelve (12) times. Eight (8) were regular meetings while four (4) meetings were ad-hoc meetings convened to consider exigency matters. Details of each Group NRC member's attendance during FY2021 are as follows:

No.	Group NRC members	Attendance	Percentage
1.	Susan Yuen Su Min (Chairman)	12/12	100%
2.	Tan Sri Dato' Ahmad Bin Mohd Don	12/12	100%
3.	Datuk Wan Azhar Bin Wan Ahmad	12/12	100%
4.	Lee Ah Boon	12/12	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](http://www.alliancebank.com.my).

The members of the Group AC are as follows:

1. Tan Chian Khong – Chairman  
(Appointed as Group AC Chairman on 19 August 2020)
2. Datuk Wan Azhar Bin Wan Ahmad
3. Ho Hon Cheong
4. Thayaparan S. Sangarapillai- Chairman  
(Retired as the Chairman of Group AC on 19 August 2020 following his retirement from the Board)

During FY2021, the Group AC met fourteen (14) times during FY2021. Two (2) were joint meetings with Group RMC to ensure effective exchange of information between the two (2) Board committees.

Details of each Group AC member's attendance during FY2021 are as follows:

No.	Group AC Members	Attendance	Percentage
1.	Tan Chian Khong (Chairman)	13/14	93%
2.	Datuk Wan Azhar Bin Wan Ahmad	14/14	100%
3.	Ho Hon Cheong	14/14	100%
4.	Thayaparan S. Sangarapillai (Chairman)	9/9	100%

### 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, BNM Policy Document on Compliance and BNM Policy Document on Risk Management in Technology 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](http://www.alliancebank.com.my).

The members of the Group RMC are as follows:

1. Lee Boon Huat - Chairman
2. Ho Hon Cheong
3. Ibrahim Bin Hassan
4. Mazidah Binti Abdul Malik
5. Lum Piew  
(Appointed as a member of the Group RMC on 1 July 2020)
6. Thayaparan S. Sangarapillai  
(Stepped down as a member of the Group RMC on 1 July 2020)

During FY2021, the Group RMC met twenty (24) times during FY2021, including two (2) joint meetings with the Group AC.

Details of each Group RMC member's attendance during FY2021 are as follows:

No.	Group RMC members	Attendance	Percentage
1.	Lee Boon Huat (Chairman)	24/24	100%
2.	Ho Hon Cheong	24/24	100%
3.	Ibrahim Bin Hassan	24/24	100%
4.	Mazidah Binti Abdul Malik	24/24	100%
5.	Lum Piew	17/17	100%
6.	Thayaparan S. Sangarapillai	7/7	100%

### INTERNAL CONTROL FRAMEWORK

The Statement on Risk Management and Internal Control is set out in the 2021 Annual Report.

The Bank operates a holistic internal control framework, which is intended to safeguard the Bank's assets, and 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; and
- 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 from the Top'; backed by staff training/orientation and on-going 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 2021 Annual Report. The Board, 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 2021 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**

The Group Risk Management and the Group Compliance (which includes the Shariah Review unit) form the 2nd Line of Defence.

The Group Risk Management is responsible for formulating, implementing and reviewing Risk Management frameworks, as well as recommending risk policies, risk appetite parameters, risk methodologies and risk control measures.

The Group Compliance has established the Group Compliance Framework to ensure effective management of compliance risks in a structured manner. The key principles outlined in the framework provides that the Board and Senior Management are responsible to oversee and ensure the effective management of compliance risks across the Group, compliance is the responsibility of all employees within the Group and the Group should hold itself to high standards in carrying on business, and at all times observe both the spirit and the letter of the laws and regulations.

The Group Compliance is responsible for ensuring that controls to manage compliance risks are adequate and operating as intended. It is also responsible for assessing and monitoring of compliance risk faced by the Group.

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

Details on the risk management framework and internal control system are explained in the Risk Management Report set out in the 2021 Annual Report.

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

As the 3rd Line of Defence, the 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 2021.

### **REMUNERATION**

#### **Board**

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 FY2021 are disclosed on pages 207 and 209 of the 2021 Annual Report.

#### **Performance management**

The Group's performance is measured using the balanced scorecard which covers key financial metrics, franchise building metrics focused on medium to longer term strategic initiatives and human capital metrics. Cascading of the Group's balanced scorecard to the various functional units and employees is emphasised to promote alignment and cohesiveness in pursuit of the Group's aspiration and performance. This element is measured in the Voice of Employees survey under clarity of goals.

The Bank actively manages the performance of employees to ensure a robust link between the achievement of the Bank's objectives and remuneration outcomes. Formal assessments occur bi-annually, at the middle and end of the performance year respectively. 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. Overall individual performance is calculated based on ratio of 80% from Objectives and 20% from Key Behaviours and Values. In addition, the overall performance is subject to penalty based on risk, compliance and control outcomes.

To safeguard the independence and authority of employees engaged in Risk and Control functions, covering the functions of Compliance, Risk Management and Internal 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.

The Group Remuneration 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 every two (2) years or earlier whenever material changes are required; and to ensure that remuneration practices and programmes are consistent with regulatory requirements.

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 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; and
- 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 Remuneration 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 remuneration is made up of the following components:

<b>Fixed pay</b>	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.
<b>Variable rewards</b>	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"> <li>i. Financial and non-financial measures of business performance; and</li> <li>ii. The risks related to the business activities taking into account, where relevant, of the cost of the associated capital.</li> </ul> <p>Deferred Cash/Share is also used to achieve the following objectives:</p> <ul style="list-style-type: none"> <li>i. Retain top performers and critical employee;</li> <li>ii. Provide market competitive total compensation; and</li> <li>iii. Align the interest of employees with long term</li> </ul>



		sustainability.
<b>Employee Benefits</b>		Employee benefits are used to foster employees' sense of being valued and of well-being, delivering cost-effective programmes that are of value to employees.

#### Determining variable remuneration

The Board approved the Short Term Incentive Framework in 2017 to ensure the variable remuneration complies with the BNM Policy Document on Corporate Governance. The Group bonus pool is determined based on the overall Group performance and is subject to risk adjustment. The Group NRC takes into consideration collective input from Internal Audit, Risk Management and Compliance on both quantitative and qualitative risk outcomes to determine need for moderation to the Group Bonus Pool. The final bonus pool is approved by the Board.

Individual employees are also accountable to keep the Bank safe via their daily contribution to risk, compliance and control measures. A consequence management framework is in place to keep employees informed of the consequences of significant breaches or non-compliances which include disciplinary actions and impact to remuneration.

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 (3) 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 and Other Material Risk Takers ("OMRTs") of the Bank in respect of FY2021.

- Senior Management ("SMs") of the Group are defined as the Group CEO and members of the Group Management Committee. There were fifteen (15) SMs in FY2021.
- In addition to all SMs who were identified as MRTs, there were twenty (20) OMRTs in FY2021.

Table 1: Remuneration awarded to SMs and OMRTs in FY2021

Category	SMs (RM'000)	OMRTs (RM'000)
Fixed pay	18,703	10,668
Variable pay – cash based	5,463	2,653
Deferred Variable Pay – cash based	2,814	109

Table 2 : Breakdown of deferred remuneration

Category	SMs	OMRTs
<b>Total amount of outstanding deferred remuneration</b> <ul style="list-style-type: none"> <li>Cash (RM'000)</li> <li>Shares (RM'000)</li> </ul>	5,309 -	510 -
<b>Total amount of deferred remuneration paid out during the financial year</b> <ul style="list-style-type: none"> <li>Cash (RM'000)</li> <li>Shares (RM'000)</li> </ul>	4,246 -	771 -
<b>Outstanding deferred remuneration (performance adjustments):</b> <ul style="list-style-type: none"> <li>Of which exposed to ex-post adjustments</li> <li>Reductions in current year due to ex-post adjustments (explicit)</li> <li>Reductions in current year due to ex-post adjustments (implicit)</li> </ul>	100% - -	100% - -
<b>Outstanding retained remuneration (performance adjustments)</b> <ul style="list-style-type: none"> <li>Of which exposed to ex-post adjustments</li> <li>Reductions in current year due to ex-post adjustments (explicit)</li> <li>Reductions in current year due to ex-post adjustments (implicit)</li> </ul>	- - -	- - -

*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 FY2021

Category	SMs	OMRTs
Number of guaranteed bonuses	-	-
Number of sign-on awards	-	-
Number of severance payments	-	1
Total amounts of above payment made for the financial year (RM'000)	-	231

**Group CEO and Employee Remuneration Data**

<b>Remuneration Data Disclosure (Annual Pay)</b>	<b>Group Chief Executive Officer</b>
Total Pay (RM '000)	6,786

<b>Remuneration Data Disclosure (Annual Pay)</b>	<b>All Employees (exclude Group CEO)</b>
Mean Pay (RM '000)	91
Median Pay (RM '000)	68
Lowest Total Pay (RM '000)	34
Highest Total Pay (RM '000)	2,791