



# ALLIANCE INVESTMENT BANK

**Alliance Investment Bank Berhad** 197401004393 (21605-D)  
A Participating Organisation of Bursa Malaysia Securities Berhad

## **CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2022 (FY2022)**

The Board of Directors (Board) of Alliance Investment Bank Berhad (AIBB or the Bank) considers good corporate governance to be the foundation of a well-managed institution. The Board is fully committed to integrity and fair dealing in all its activities, and has endeavoured to adopt the best practice of corporate governance in all areas of the Bank's business towards enhancing business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholder value.

This Corporate Governance Statement sets out a summary of the Bank's corporate governance practices during FY2022 with reference to paragraph 22 of Bank Negara Malaysia (BNM)'s Policy Document on Corporate Governance.

### **A. BOARD OF DIRECTORS**

#### **1. Board Composition**

The Board currently has three (3) members, comprising entirely Non-Executive Directors, two (2) of whom are Independent Directors:

1. Lee Ah Boon  
Chairman of the Board/Non-Independent Non-Executive Director
2. Mazidah Binti Abdul Malik  
Independent Director
3. Datin Ooi Swee Lian  
Independent Director

The profiles of each of the members of the Board are available on the Bank's corporate website at:

<https://www.alliancebank.com.my/investment/corporate/corporate-profile/board-directors.aspx>

#### **2. The Board's Roles and Responsibilities**

The Board has the overall responsibility for promoting the sustainable growth and financial soundness of the Bank as well as ensuring reasonable standards of fair dealing, without undue influence from any party. This includes a consideration of the long-term implications of the Board's decisions on the Bank and its customers, officers and the general public.

In fulfilling this role, the Board shall:

- (a) Approves the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (b) Oversees the selection, performance, remuneration and succession plans of the Chief Executive Officer (CEO), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank;

- (c) Oversees the implementation of the Bank's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- (d) Promotes, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behaviour;
- (e) Promotes sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- (f) Oversees and approves the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- (g) Promotes timely and effective communication between the Bank and Bank Negara Malaysia on matters affecting or that may affect the safety and soundness of the Bank; and
- (h) Ensures the Bank complies with the Shariah principles, concepts and rulings issued by the Shariah Advisory Council of Securities Commission Malaysia in the provision of the Islamic Stockbroking Services. In performing this responsibility, the Board appoints a Shariah Adviser and relies on his or her advice on the manner the operation and activities of the Islamic Stockbroking Services should be carried out in ensuring compliance with the Shariah principles and requirements.

The Board has adopted a Board Charter that sets out the mandate, responsibilities and procedures of the Board and the Board Committees, including matters reserved for the Board's decision. The Board Charter is reviewed by the Board as and when necessary, in line with evolving corporate governance requirements and practices to ensure its continued relevance to the Board.

The Board Charter is available on the Bank's corporate website at:

<https://www.alliancebank.com.my/Alliance-Investment-Bank-Berhad/Corporate/Corporate-Governance.aspx>

### **3. Ethical Leadership by the Board**

The Bank is guided by the Code of Conduct established by the Board which outlines the conduct required of the Board members and the individual employees to discharge their duties in a professional, honest and ethical manner.

In addition, the Board has set up a Conflict of Interest Policy for Directors to assist the Directors in identifying, disclosing and managing any actual or potential conflicts of interest. Directors are required to inform the Board of conflicts or potential conflicts of interest they may have in relation to particular items of business. Directors absent themselves from discussion or decisions on those matters unless resolved otherwise by the remaining members of the Board.

Directors may only use or disclose information relating to the Bank to the extent that such use or disclosure is consistent with their duties as directors.

The Code of Conduct and the Conflict of Interest Policy for Directors are available on Alliance Bank Malaysia Berhad (Alliance Bank)'s corporate website at:

<https://www.alliancebank.com.my/corporate/corporate-governance.aspx>

The Directors also adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia.

#### 4. Operation of the Board

The Board schedules a minimum of 10 meetings a year to review progress reports from the Management as well as to consider business and other proposals that require the Board's approval. All Directors are informed of these scheduled Board meetings before the start of each year. Ad-hoc Board meetings may be called to deliberate and consider issues requiring the Board's immediate consideration/decision.

At each scheduled Board meeting, the CEO and Group Chief Financial Officer provide regular progress reports on the business and financial performance of the Bank. The Board also receives regular updates on internal control, risk management, legal, compliance, internal audit, human resources, sustainability, governance and information technology related matters.

There is an annual schedule of rolling agenda items to ensure that all matters are given due consideration and reviewed at the appropriate point in the financial and regulatory cycle, although there is flexibility to enable pressing matters, when they arise, to be dealt with in a timely manner.

For FY2022, in line with the travel restrictions, social distancing and other measures to curb the spread of COVID-19 and its variants, all Board and Board Committee meetings during the financial year were held virtually by way of video conferencing.

The Chairman and CEO maintain frequent contact with each other and with the other Board members throughout the year outside of formal meetings.

##### Company Secretary

The Board is currently supported by a corporate secretarial team led by Company Secretary, Mr. Simon Lee Wei Yen, who has more than 30 years of experience in the corporate secretarial function. He is a Practising Secretary registered with Companies Commission of Malaysia and is an Associate of the Malaysian Institute of Chartered Secretaries and Administrators. He holds a Master of Business Administration in Finance from Universiti Putra Malaysia and a Master of Advanced Business Practice from University of South Australia.

Mr. Simon Lee provides counsel to the Board on corporate governance matters and advocates the adoption of corporate governance best practices; renders effective support to the Chairman of the Board/Board Committees and Directors in the discharge of their roles and responsibilities; and facilitates effective communication of decisions and policies made by the Board/Board Committees to the Management. He also ensures Board procedures; applicable rules and regulations; and relevant laws are complied with.

Mr. Simon Lee constantly keeps himself abreast with changes in relevant laws; rules and regulations; and industry development through continuous training and regular interaction with various stakeholders.

The Board assesses the fitness and propriety of Mr. Simon Lee on an annual basis in accordance with the Group's Policy on Fitness and Propriety. For FY2022, the Board is satisfied with the performance and support rendered by him as Company Secretary.

#### 5. Board Committees

The Board has established Board Committees to oversee the implementation of strategies and policies; and maintaining effective governance in the following areas: business decisions; audit; risk and compliance; remuneration; Board composition; succession planning and corporate governance.

The Board has four (4) Board Committees, comprising solely Non-Executive Directors: Group Audit Committee (Group AC), Group Nomination & Remuneration Committee (Group NRC), Group Risk Management Committee (Group RMC) and Group Sustainability Committee (Group SC) that operate on a Group basis covering the Bank and its related companies, namely Alliance Bank and Alliance Islamic Bank Berhad (AIS) (collectively, the Group).

Each Board Committee has its respective Terms of Reference that is approved by the Board and reviewed at every two (2) years interval or as and when necessary. Any proposed changes to the Terms of Reference of the Board Committees are subject to the approval of the Board. The Terms of Reference of the Board Committees are available on Alliance Bank's website at:

<https://www.alliancebank.com.my/corporate/corporate-governance.aspx>

#### Group NRC

The Group NRC supports the Board in carrying out its functions in the following matters concerning the Board, Shariah Committee, Senior Management and Company Secretary:

- Appointment and removals;
- Composition of the Board;
- Performance evaluation and development; and
- Fit and proper assessments.

The Group NRC also actively oversees the design and operation of the Bank's remuneration system. It periodically reviews the remuneration of Directors on the Board, and on whether the remuneration remains appropriate to each Director's contributions, 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 Alliance Bank's corporate website at:

<https://www.alliancebank.com.my/corporate/corporate-governance.aspx>

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  
(Stepped down as a member on 31 October 2021)
5. Wong Yuen Weng Ernest  
(Appointed to Group NRC as a member on 1 October 2021)

During FY2022, the Group NRC met 18 times. Ten (10) were regular meetings while eight (8) meetings were ad hoc meetings convened to consider exigency matters.

Details of each Group NRC member's attendance during FY2022 are as follows:

No.	Group NRC Members	Attendance	Percentage
1.	Susan Yuen Su Min (Chairman)	18/18	100%
2.	Tan Sri Dato' Ahmad bin Mohd Don	18/18	100%
3.	Datuk Wan Azhar bin Wan Ahmad	18/18	100%
4.	Lee Ah Boon	10/10	100%
5.	Wong Yuen Weng, Ernest	9/9	100%

## Group AC

The Group AC assists the Board in overseeing the Group's financial and reporting processes. It monitors the integrity of the financial statements and supervises both the internal and external audit processes and reports back to the Board. It reviews the effectiveness of the policies, procedures and systems in place that are related to, among others, operational risks, compliance, information technology and systems (including cybersecurity). It works closely with the Group RMC in connection with assessing the effectiveness of the risk management and internal control framework.

The members of the Group AC are as follows:

1. Tan Chian Khong – Chairman
2. Datuk Wan Azhar bin Wan Ahmad
3. Cheryl Khor Hui Peng  
(Appointed to Group AC on 1 June 2021)
4. Ho Hon Cheong  
(Retired on 25 August 2021)

During FY2022, a total of 11 Group AC meetings were held, including a joint meeting with Group RMC to ensure effective exchange of information between the two Board Committees. Details of attendance of the Group AC Members are as follows:

No.	Group AC Members	Attendance	Percentage
1.	Tan Chian Khong (Chairman)	11/11	100%
2.	Datuk Wan Azhar bin Wan Ahmad	11/11	100%
3.	Cheryl Khor Hui Peng	8/8	100%
4.	Ho Hon Cheong	4/4	100%

## Group RMC

The Group RMC oversees the Senior Management's activities in managing risks, which cover, among others, credit, market, liquidity, operational, compliance, legal, IT/Cyber, sustainability and other risks, as well as ensuring compliance to regulations. This includes ensuring a sound risk strategy and ensuring the risk management framework is functioning according to its purposes. It also actively promotes a consistent culture of compliance; and a risk awareness and risk management culture within the Group. Its oversight role includes approving and deliberation on risk and compliance strategies, policies and methodologies, as well as related matters.

The Terms of Reference of the Group RMC is published on the Alliance Bank's corporate website at:

<https://www.alliancebank.com.my/corporate/corporate-governance.aspx>

The members of the Group RMC are as follows:

1. Lee Boon Huat - Chairman
2. Ibrahim bin Hassan
3. Mazidah binti Abdul Malik
4. Lum Piew
5. Ho Hon Cheong  
(Retired on 25 August 2021)
6. Lee Ah Boon  
(Appointed to Group RMC as a member on 1 October 2021)

During FY2022, the Group RMC met 19 times, including one joint meeting with the Group AC. Details of each Group RMC member's attendance during FY2022 are as follows:

No.	Group RMC Members	Attendance	Percentage
1.	Lee Boon Huat (Chairman)	19/19	100%
2.	Ibrahim bin Hassan	19/19	100%
3.	Mazidah binti Abdul Malik	19/19	100%
4.	Lum Piew	19/19	100%
5.	Ho Hon Cheong	8/8	100%
6.	Lee Ah Boon	10/10	100%

#### Group SC

The Group SC, which was set up on 1 July 2021, supports the Board by way of oversight for setting sustainability strategies, priorities and targets, to ensure that the Group's strategies, goals and principles pertaining to sustainability are aligned with, promote and encourage the Group's commitment towards sustainability.

The Terms of Reference of the Group SC is published on the Alliance Bank's corporate website at:

<https://www.alliancebank.com.my/corporate/corporate-governance.aspx>

The members of the Group SC are as follows:

1. Susan Yuen Su Min – Chairman
2. Dato' Ahmad Hisham bin Kamaruddin
3. Cheryl Khor Hui Peng

During FY2022, the Group SC met five (5) times. Details of each Group SC member's attendance during FY2022 are as follows:

No.	Group SC Members	Attendance	Percentage
1.	Susan Yuen Su Min (Chairman)	5/5	100%
2.	Dato' Ahmad Hisham bin Kamaruddin	5/5	100%
3.	Cheryl Khor Hui Peng	5/5	100%

#### **6. Board Size, Composition, Tenure and Independence**

The Board has three (3) members, which composed entirely of Non-Executive Directors, two (2) of whom are Independent Directors.

The Board comprises individuals of high calibre with diverse experience which collectively has the necessary skills, experience and qualifications to effectively manage the Bank and to discharge the responsibilities of the Board. The diversity of business backgrounds of the Directors ensures good use of their different and wide-ranging skills, regional as well as industry experience and other attributes.

The Board considers a strong element of independence among its members vital for good corporate governance. Independent Directors of the Bank exercise independent judgement and participated in the deliberations of the Board objectively with no individual or small group of individuals dominating the Board's decision making process. With the number of Independent Directors making up 66.67% of the Board, this exceeds the requirement of BNM's Policy Document on Corporate Governance to have a majority of independent directors at all times.

The Board, through the Group NRC, assesses Independent Directors' independence annually. In the annual assessment of the Independent Directors of the Bank in respect of FY2022, the Board was satisfied that each of the Independent Directors of the Bank continues to be independent and free from any business or other relationship that could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank. The Board was also satisfied that each of them continues to fulfill the criteria set out in BNM's Policy Document on Corporate Governance.

The Bank has adopted a nine (9)-year policy for tenure of Independent Directors and 12-year policy for the tenure of Non-Independent Non-Executive Directors. As at the date of this Statement, none of the Bank's Independent Directors and Non-Independent Non-Executive Director have served for a cumulative period of more than nine (9) years and 12 years in the Group, respectively.

## **7. Board Gender Diversity**

The Board has adopted a Board Gender Diversity Policy that calls for women candidates to be given priority consideration in the selection and recruitment process of identifying suitable board candidates. This is to ensure that the Bank's gender diversity target of having women representing 30% of the Board is achieved. 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, remains a priority.

Currently, the Board has two (2) women Directors out of a total of three (3) Directors, making a 66.67% women's participation on the Board.

## **8. New Appointment and Reappointment of Directors**

Any proposed appointment of new Directors or proposed reappointment of Directors to the Board will be assessed by the Group NRC. The Group NRC is guided by the Group Board Succession Plan and the Board Gender Diversity Policy in identifying potential candidates for nomination as Directors. The Group Board Succession Plan entails the guiding principles for effective succession planning as well as the procedures in ensuring a smooth transition in the Board's succession process as existing Directors leave the Board and new ones come on board.

The Group NRC identifies potential candidates for nomination as Directors from various sources, such as referrals from existing Directors or officers and Directors Register maintained by the Financial Institutions Directors' Education (FIDE) Forum and other leadership development and consulting organisations.

## **9. Assessment Criteria and Process for Board Candidates**

The Group NRC takes into account the strategic directions of the Group and the Board Gender Diversity Policy when evaluating candidates to fill any Board vacancy. In assessing candidates for new Board appointments, the Group NRC looks for diversity of skills, knowledge, experience and gender of the candidates.

To ensure a candidate has the character, experience, integrity and competency to effectively discharge his/her role as a Director, the Group NRC will assess the candidates on the following criteria:

- (a) Not be disqualified under section 59(1) of the Financial Services Act, 2013;
- (b) Comply with the fit and proper requirements of the Bank;
- (c) Not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;
- (d) Not be an active politician;
- (e) Not be a partner of a firm which has been appointed as the external auditors of the Bank or any of the firm's officers directly involved in the engagement until at least

- three (3) years after: (i) he/she ceases to be an officer or partner of that firm; or (ii) the firm last served as an auditor of the Bank; and
- (f) Preferably and at a minimum, holds a degree qualification and/or other equivalent qualification(s) with at least five (5) years in a senior managerial position.

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

#### 10. Board and Committee Meetings

Directors are required to attend at least 75% of all the Board/Board Committee meetings during each financial year. As a measure to reduce the spread of COVID-19, all Board and Board Committees meetings held during FY2022 were by way of video conferencing to limit face-to-face contact during the COVID-19 pandemic period.

The Directors are supplied with information in a timely manner. The agenda for each Board/Board Committee meeting, together with detailed reports and proposal papers to be tabled, are circulated to the Directors for their prior reading well in advance of the date of the meeting. The Directors may request to be furnished with additional information for clarification. Relevant Senior Management Officers are invited to attend Board/Board Committees meetings to provide the Board/Board Committees with detailed explanations and clarifications on the proposals tabled to enable the Board/Board Committees to make informed decisions.

Minutes of Board and Board Committees meetings are circulated to the Board members in a timely manner for their review to ensure that the minutes accurately record the deliberations and decisions of the Board and Board Committees.

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.

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.

The Board may have access to independent advisers when it sees a need. If it became 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 so obtained would ordinarily be provided to all directors.

The Group has implemented paperless meetings where Board materials are uploaded to a secured Board portal for the Directors to access through their tablets or laptops. This initiative has made the process of creating, distributing and reviewing confidential Board materials more efficient and secure. It speeds up the process of dissemination of Board packs and removes the need for hard copy papers as part of the Group's sustainability initiatives for a reduced carbon footprint.

In total, the Board had met 15 times during FY2022, including two (2) meetings on a Group basis to review and approve the Strategy and Budget of the Group.

All Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities, and their commitment has been affirmed by their attendance at the Board meetings held during FY2022, as reflected below:

No.	Directors	Attendance
1.	Lee Ah Boon Chairman of the Board Non-Independent Non-Executive Director	15/15
2.	Mazidah Binti Abdul Malik Independent Director	15/15
3.	Datin Ooi Swee Lian Independent Director	15/15

#### 11. Board Effectiveness Assessment

The Board recognises that it continually needs to assess and improve its performance. This is achieved through the annual Board Effectiveness Assessment and ongoing Board development activities.

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

For FY2022, the Group engaged an external independent consultant, KPMG Management & Risk Consulting Sdn Bhd (KPMG MRC) to conduct the Board Effectiveness Evaluation (BEE) exercise.

There were four (4) phases in the BEE exercise for FY2022 as follows:

##### Phase 1: Assessment Questionnaire

- Questionnaires were circulated by KPMG MRC to Directors for evaluation of the Boards, Board Committees, and individual Directors.
- Directors returned the duly completed questionnaires to KPMG MRC.

##### Phase 2: Interview Sessions

- All Board members and selected Senior Management personnel were interviewed by KPMG MRC.

##### Phase 3: Document Review

- Selected documents were reviewed by KPMG MRC to identify focus areas and corroborate preliminary observations.

##### Phase 4: Final Reporting and Presentation

- The Board Chairman and Group NRC Chairman were briefed by KPMG MRC before the Report was presented to the Group NRC and the Board respectively.

Findings from the BEE exercise for FY2022 show that the Board is governed by a clear-cut, pragmatic and effective group governance framework and that Board deliberations are conducted with a high level of rigour, professionalism and candour. In terms of the Board skill set mix, the Board is made up of highly skilled and experienced individuals from the respective areas of banking, finance and accounting.

The suggested actions to be taken are mainly on process improvement and will not influence the Board composition.

## Fit and Proper Assessment

The Board, through the Group NRC, assesses the fitness and propriety 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 & Propriety Declaration annually. The Fitness & Propriety Declarations by the Directors are verified against independent sources.

For FY2022, the Board was satisfied that each of the Directors had met the required standard of fitness and propriety.

## 12. Board Training and Development

The Board acknowledges the importance of continuous training 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. 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 relating to the relevant areas within a financial year taking into consideration emerging trends in the financial services industry. In addition, each Board Committee member is encouraged to attend a minimum of two (2) training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast with the latest developments in the industry.

The training needs of the Directors are assessed on a yearly basis by the Group NRC and a proposed Board Development Plan is recommended to the Board for approval. This is to ensure the Directors are accorded the appropriate training required.

The Bank has put in place an In-house Directors' Orientation Programme for newly appointed Directors to familiarise themselves with the Bank's operations in addition to the regulatory mandatory training programmes such as the Capital Markets Directors Programme, Financial Institutions Directors' Education 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 the Bank's operations and business strategies by the Senior Management to familiarise him/her with the Bank and the Group.

Directors also received guidance from the Company Secretary on the Bank's governance framework and associated policies, as well as their duties as Directors of the Bank.

During FY2022, the Directors attended various training programmes virtually. The list of training programmes attended by the Directors is as follows:

<b>Directors</b>	<b>Training programmes attended by Directors</b>
Lee Ah Boon	<ol style="list-style-type: none"><li>1. Iclif: Risk Management in Technology (RMiT) &amp; Digital Transformation - What they mean for Governance and Strategy of Bank and Insurance Boards.</li><li>2. Iclif: Implementing Amendments in the Malaysia Code on Corporate Governance.</li><li>3. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2022.</li><li>4. Iclif: Climate Change: Impact on Banks &amp; Role of the Board.</li><li>5. In-house Training on Cyber Security &amp; Resiliency.</li><li>6. In-house Training on ESG and Sustainable Finance.</li><li>7. BNM-FIDE Forum My Fintech Week Masterclasses.</li><li>8. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training.</li></ol>

Directors	Training programmes attended by Directors
Mazidah Binti Abdul Malik	<ol style="list-style-type: none"> <li>1. CMDP: Module 3 Risk Oversight and Compliance – Action Plan for Board of Directors.</li> <li>2. CMDP: Module 4 Emerging and Current Regulatory Issues in the Capital Market.</li> <li>3. BNM-FIDE Forum Dialogue: The Role of Independent Director in Embracing Present and Future Challenges.</li> <li>4. BNM-FIDE Forum Dialogue: The Future of Malaysia's Financial Sector.</li> <li>5. Iclif: Risk Management in Technology (RMiT) &amp; Digital Transformation - What they mean for Governance and Strategy of Bank and Insurance Boards.</li> <li>6. BNM-FIDE FORUM Dialogue on Risk Management in Technology (RMiT) Implementation.</li> <li>7. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2022.</li> <li>8. In-house Training on Cyber Security &amp; Resiliency.</li> <li>9. Bursa-FIDE Forum Dialogue on Sustainability.</li> <li>10. In-house Training on ESG and Sustainable Finance.</li> <li>11. My Fintech Week 2022.</li> <li>12. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training.</li> <li>13. Iclif: Sustainability for the Palm Oil Sector.</li> </ol>
Datin Ooi Swee Lian	<ol style="list-style-type: none"> <li>1. Iclif: Risk Management in Technology (RMiT) &amp; Digital Transformation - What they mean for Governance and Strategy of Bank and Insurance Boards.</li> <li>2. In-house Training on Cyber Security &amp; Resiliency.</li> <li>3. In-house Anti-Bribery &amp; Corruption eLearning Programme FY2022.</li> <li>4. Iclif: CG Talk Namely Intentional Integrity: How Smart Companies Can Lead and Ethical Revolution.</li> <li>5. In-house Training on ESG and Sustainable Finance.</li> <li>6. In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training.</li> <li>7. Iclif: Sustainability for the Palm Oil Sector.</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.

## B. REMUNERATION

### Board of Directors

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.

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 & Surgical coverage and Directors & Officers Liability Insurance coverage, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his/her duty of trust.

During FY2022, the remuneration of the Non-Executive Directors was reviewed by the Group NRC with the advice from an external independent consultant, Willis Tower Watson. The proposed revised fee structure of the Non-Executive Directors will be subject to the shareholder's approval at the forthcoming Annual General Meeting of the Bank.

The details of remuneration of each Director of the Bank received/receivable from the Bank and the Group in respect of FY2022 are disclosed on pages 71 to 72 of the annual audited financial statements of the Bank for FY2022.

### Performance Management

The Group's performance is measured using the balanced scorecard approach. It encompasses metrics that are based on the Bank's key financial and franchise-building efforts, with a focus on medium- to longer-term strategic initiatives that cover human capital, and culture and leadership development. The longer-term sustainability agenda is also incorporated in the balanced scorecard in the form of developing a new sustainable banking business, helping our customers adopt sustainable lifestyles and business practices as well as reducing the Group's carbon footprint. The Board sets the tone from the top by reviewing and approving the Group's balanced scorecard.

The Group's balanced scorecard is cascaded to the various functional units and employees to ensure alignment with its aspirations. This element is measured in its Voice of Employees survey. In FY2022, we have incorporated ESG (Environmental, Social and Governance)-related KPIs for senior management and key staff which reflects our commitment to develop and drive compelling ESG values.

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 biannually, at the middle and end of each performance year.

Employee performance is assessed against what an employee achieves and how he/she achieves it. Individual objectives or Key Performance Indicators represent "what" the employee is expected to achieve. Overall individual performance is calculated based on a ratio of 80% from Objectives and 20% from Key Behaviours and Values. In addition, the overall performance is subject to penalties that are based on risk, compliance and control outcomes.

To safeguard the independence and authority of employees engaged in Risk and Control functions that cover 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.

ESG elements are inculcated in the Bank's Total Rewards approach through performance management and risk management considerations. By incorporating ESG related KPIs for senior management and key staff with the robust linkage between KPIs achievement and the variable remunerations, the Bank strives to drive and reward compelling ESG values within the organisation.

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 sustainability.</li> </ul> <p>Variable remuneration is categorised into Short Term Incentive and Long Term Incentive.</p> <p><u>Short Term Incentive</u> Consists of performance bonus and sales commission and incentives which are subject to deferred payments.</p> <p><u>Long Term Incentive</u> Consists of share option, performance shares and restricted shares. The employee share plans have expired and pending review for new plans.</p>
<b>Employee Benefits and Well Being</b>	Indirect and non-cash compensation paid to an employee	<p>Employee benefits are used to foster employees' sense of being valued and improve their quality of life. Benefits help employees pay for healthcare, save for retirement, purchase home and car and take time off work when needed focused at delivering flexible and cost-effective programmes that are of value to employees.</p> <p>Fit@Alliance initiatives brings wellness themes of physical, emotional, financial and social to promote healthy lifestyles among employees and by extension to their colleagues and family.</p>
<b>Career Development &amp; Progression</b>	Conducive environment and opportunities for learning and self-development	<p>Development plan is part of our annual appraisal to identify employees' career aspirations, strengths and development needs.</p> <p>Career conversations, targeted development interventions, accelerated progression and mentoring form part of key talent's individual</p>

		<p>development plan.</p> <p>Robust learning curriculum coupled with Learning Roadmap for each Division enables upskilling and reskilling set the path towards a future-proofed workforce. Our Learning &amp; Development curriculum outlines 5 key learning priorities to build future-ready skills and competencies as well as establishing a sustainable business:</p> <ol style="list-style-type: none"> <li>1. A Systematic Way of Approaching Customers.</li> <li>2. Harnessing Digital to Improve Customer Value Proposition &amp; Scale Up.</li> <li>3. Leveraging Technology to Streamline Processes.</li> <li>4. Managers Enabling Teams to Succeed.</li> <li>5. Keeping the Bank Safe and Sustainable.</li> </ol> <p>Coaching and continuous feedback promote learning from others.</p> <p>Project assignments, rotation and relief assignment that provide valuable practical exposure to new areas of work.</p>
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#### Determining Variable Remuneration

The Board approved the Short-Term Incentive Framework in 2017 to ensure the variable remuneration complies with the BNM's Policy Document on Corporate Governance. The Group bonus pool is determined based on the overall Group performance and is subject to risk adjustments. 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-compliance which includes 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 Bank's performance and risk profile. Senior Management of the Bank is defined as the CEO and members of the Management Committee.

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 a progressive deferral rate of up to 40%. The deferral rate increases with the higher amount of variable remuneration payable to the eligible employees. 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 if the employee has committed misconduct or resigned.

The Bank does not have Other Material Risk Takers who are not members of the Senior Management but have authority to commit the Bank significantly to risk exposure.

The following depicts the total value of remuneration awarded to the Senior Management of the Bank in respect of FY2022. There were seven (7) members of the Senior Management of the Bank in FY2022.

Table 1: Remuneration Awarded to Senior Management in FY2022

Category	RM
Fixed Pay	3,617,207
Variable Pay – cash based	809,087
Deferred Variable Pay – cash based	-

Table 2: Breakdown of Deferred Remuneration to Senior Management in FY2022

Category	RM
<b>Total amount of outstanding deferred remuneration</b>	
• Cash	1,029,970
• Shares	-
<b>Total amount of deferred remuneration paid out during the financial year</b>	
• Cash	318,888
• Shares	-
<b>Outstanding deferred remuneration (performance adjustments):</b>	
• Of which exposed to ex-post adjustments	-
• Reductions in current year due to ex-post adjustments (explicit)	-
• Reductions in current year due to ex-post adjustments (implicit)	-
<b>Outstanding retained remuneration (performance adjustments)</b>	
• Of which exposed to ex-post adjustments	-
• Reductions in current year due to ex-post adjustments (explicit)	-
• Reductions in current year due to ex-post adjustments (implicit)	-

*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 Senior Management for FY2022

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

## C. AUDIT AND RISK MANAGEMENT

### 1. Risk Management and Internal Control Framework

The Board is ultimately responsible for the Bank's risk management and internal control framework. The Board, assisted by the Group RMC and Group AC, confirms that it monitors the Bank's risk management and internal control systems and carries out a review of their effectiveness, at least annually. The monitoring and review covers all

material controls, including financial, operational and compliance controls.

Further details of the Group's Risk Management Framework and Internal Control System are explained in the Statement on Risk Management and Internal Control and Risk Management Report on pages 94 to 103 of the 2022 Integrated Annual Report of Alliance Bank, which is accessible from Alliance Bank's corporate website at:

<https://www.alliancebank.com.my/corporate/corporate-governance.aspx>

## 2. **Anti-Bribery & Corruption**

The Group adopts a zero-tolerance stance against any acts of bribery and corruption and is committed to act professionally, fairly and with integrity in all business dealings and relationships.

To complement the existing Code of Conduct, the Group, in May 2020, established the Anti-Bribery and Corruption Policy which outlines the key guiding principles and mitigating controls in place with regards to anti-bribery and corruption. The Policy is guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009.

In line with the Group's commitment to this Anti-Bribery and Corruption Policy, the Group has also developed a Gifts and Entertainment Policy that outlines the broad standards of conduct in relation to giving or offering and receiving or accepting gifts.

During FY2022, the Directors attended the in-house Anti-Bribery & Corruption eLearning Programme as part of the Annual Board Development Plan.

## 3. **Whistleblowing Policy**

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.

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.

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.

In addition to the internal reporting channels, employees could also direct their whistleblower complaints to external regulators and/or law enforcement agencies such as BNM and Securities Commission Malaysia.

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 investigation carried out.

Together with the Chairman of the Group NRC, the Chairman of the Board, Chairman of the Group AC, and the Group CEO are also involved in the whistleblower processes. The Board is informed of any relevant whistleblower investigation/findings.

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 Alliance Bank's corporate website at [www.alliancebank.com.my](http://www.alliancebank.com.my).

#### 4. Internal Control Framework

The Statement on Risk Management and Internal Control of the Group is set out in the 2022 Integrated Annual Report of Alliance Bank.

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 at 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 2022 Integrated Annual Report of Alliance Bank. 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 2022 Integrated Annual Report of Alliance Bank.

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

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

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

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

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

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.

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.

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.

Details on the risk management framework and internal control system are explained in the Statement on Risk Management and Internal Control, and Risk Management Report set out in the 2022 Integrated Annual Report of Alliance Bank.

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

As the 3rd Line of defence, Group Internal Audit (GIA) performs regular independent reviews on the Bank's activities to evaluate and make recommendations to improve the effectiveness of governance, risk management and control processes. The reviews are conducted in accordance with the 3-year rolling audit plan, which is 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 2022 Integrated Annual Report of Alliance Bank.