



## CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2021 (FY2021)

The Board of Directors (“Board”) of Alliance Islamic Bank Berhad (“AIS” 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 its 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 overview statement sets out a summary of the Bank’s corporate governance practices during FY2021 with reference to the following 3 key principles of good corporate governance set out in the Malaysian Code on Corporate Governance issued in 2017 (the Code) and serves to provide stakeholders with an understanding of the Bank’s commitment to corporate governance and how the Bank’s corporate governance practices support its ability to create long-term value for stakeholders:

- (a) Board leadership and effectiveness
- (b) Effective audit and risk management; and
- (c) Integrity in corporate reporting and meaningful relationship with stakeholders.

### A. BOARD OF DIRECTORS

#### 1. BOARD COMPOSITION

The Board currently has five members, four of whom are Independent Directors:

The members of the Board are as follows:

- (i) Datuk Wan Azhar bin Wan Ahmad  
(Independent Director/Chairman)
- (ii) Ibrahim bin Hassan  
(Independent Director)
- (iii) Joel Kornreich  
(Executive Director)
- (iv) Dato’ Ahmad Hisham bin Kamaruddin  
(Independent Director)
- (v) Rustam Bin Mohd Idris  
(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/islamic/corporate/corporate-profile/board-directors.aspx>.

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

## 2. The Board's Roles and Responsibilities

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

In fulfilling this role, the Board shall –

- (a) approve the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Bank's risk profile;
- (b) approve policies relating to governance structure and reporting arrangements, Shariah non-compliance risk management and other areas that are material to the effective implementation of Shariah governance within the Bank;
- (c) oversee the selection, performance, remuneration and succession plans of the 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;
- (d) oversee the implementation of the Bank's governance framework and internal control framework, in particular to prevent Shariah non-compliance and any rectification measures to resolve incidences or circumstances that may result or have resulted in Shariah non-compliance, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Bank's operations;
- (e) oversee the implementation of Shariah Advisory Council ("SAC") rulings and decisions or advice of the Shariah Committee within all business and functional lines, including any business or risk implications arising from such implementation;
- (f) oversee the performance of senior management and other officers entrusted to implement Shariah governance framework such that the Board is satisfied that the measures of their performance are aligned with Shariah governance objectives;
- (g) promote, together with senior management, a sound corporate culture within the Bank which reinforces ethical, prudent and professional behavior as well as reflecting the importance of adhering to Shariah requirements in product development and marketing, strategy formulation, business operations, risk management practices and other aspects that promote end-to-end compliance with Shariah;
- (h) promote sustainability through appropriate environmental, social and governance considerations in the Bank's business strategies;
- (i) oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress; and
- (j) promote 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.

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 at every two years interval, or as and when necessary, in line with evolving corporate governance requirements and practices to ensure its continued relevance to the Board.

The Board Charter was last reviewed and revised by the Board on 26 October 2020 and is available on the Bank's corporate website at: <https://www.alliancebank.com.my/islamic/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.

The Code of Conduct and the Conflict of Interest Policy for Directors are available on the Group'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 at least 10 meetings a year to review progress reports from the Management as well as to consider business and other proposals which 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 that require 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 as well as the performance, strategic developments, business plans and initiatives of the respective divisions throughout the year. The Board also receives regular updates on internal control, risk management, legal, shariah, 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 this is flexible to enable pressing matters, when they arise, to be dealt with in a timely manner.

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, all Board and Board Committee meetings during the financial year were held through video conferencing.

The Chairman and CEO maintain frequent contact (in person or otherwise) with each other and the other Board members throughout the year outside of the formal meetings.

##### Company Secretary

The Board is currently supported by a corporate secretarial team led by 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 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.

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, the Company Secretary, on an annual basis 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 Company Secretary.

## 5. Board Committees

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

The Board has three (3) Board Committees, comprising solely Non-Executive Directors: Group Audit Committee (Group AC), Group Nomination & Remuneration Committee (Group NRC) and Group Risk Management Committee (Group RMC) that operate on a Group basis covering the Bank and its related companies, namely Alliance Bank and Alliance Investment Bank Berhad (AIBB) (collectively, the Group).

Each Board Committee has its own Terms of Reference that is approved by the Board and reviewed at every two years interval or as and when necessary. Any proposed changes to the Terms of Reference of the Board Committees are subject to the approval of the Board. The Terms of Reference of the Board Committees are available on the Group'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 Terms of Reference of Group NRC was last reviewed and revised by the Board on 27 July 2020.

The members of the Group NRC are as follows:

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

The Group NRC met 12 times during FY2021. 8 were regular meetings while 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	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 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 related to, among others, operational risks, compliance, information technology and systems (including cyber security). It works closely with the Group RMC in connection with assessing the effectiveness of the risk management and internal control framework.

The composition of the Group AC was reconstituted during FY2021. 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
3. Thayaparan S. Sangarapillai – Chairman (Retired as the Chairman of Group AC on 19 August 2020 following this retirement from the Alliance Bank Board)
4. Cheryl Khor Hui Peng (Appointed as a member of Group AC on 1 June 2021)

During the FY2021, a total of 14 Group AC meetings were held. Two (2) were joint meetings with Group RMC to ensure effective exchange of information between the two Board Committees.

The details of attendance of the Group AC Members are as follows:

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

## Group RMC

Group RMC oversees the Senior Management's activities in managing risks which covers amongst others, credit, market, operational, technology 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 compliance culture, risk awareness and management within the Group. Its oversight role includes approving and deliberation on risk and compliance strategies, policies, methodologies and related matters.

The functions of the Group RMC 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 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 member of Group RMC on 1 July 2020)
5. Thayaparan S. Sangarapillai (Stepped down as member of Group RMC on 1 July 2020)

In total, the Group RMC met 24 times during FY2021, including two (2) joint meetings with 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	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%
5.	Thayaparan S. Sangarapillai	7/7	100%

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

The Board has five (5) members, comprising 1 Executive Director and 4 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 exercised 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. The number of Independent Directors, who make up more than 75% of the Board well 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 FY2021, 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, and that each of them continues to fulfil the criteria set out in BNM Policy Document on Corporate Governance and the Code.

The Bank has adopted a nine (9)-year policy for tenure of Independent Directors. As at the date of this Statement, none of the Bank's Independent Directors has served for a cumulative period of more than nine (9) years.

## 7. Board Gender Diversity

The Board has adopted a Board Gender Diversity Policy 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 participation on the Board. 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.

## 8. New Appointment and Re-Appointment of Director

Any proposed appointment of new Directors or proposed re-appointment 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 Financial Institutions Directors' Education (FIDE) Forum and other leadership development and consulting organisations.

The Group Board Succession Plan was last reviewed and revised by the Board on 24 November 2020.

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

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

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

- (a) not be disqualified under section 68(1) of the Islamic 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 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 at a minimum holds a degree qualification and/or other equivalent qualification(s) and with at least 5 years in 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 FY2021 were by way of video calls to limit face-to-face contact with each other.

All 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 in making 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.

The Board may also at anytime interact directly with, or request further explanation, information or updates on any aspect of the Bank's operations or business concerns from the Management.

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 corporate responsibility in managing its paper consumption to reduce the impact to the environment.

In total, the Board had met 16 times during FY2021, including 3 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 is affirmed by their attendance at the Board meetings held during FY2021, as reflected below:

No.	Directors	Attendance
1.	Datuk Wan Azhar bin Wan Ahmad Chairman of the Board Independent Director	16/16
2.	Ibrahim bin Hassan Independent Director	16/16
3.	Joel Kornreich Executive Director	16/16
4.	Dato' Ahmad Hisham bin Kamaruddin Independent Director	16/16
5.	Rustam bin Mohd Idris Independent Director	14/16

## 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 on-going 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.

### Step 1: Completion of Comprehensive Questionnaire

#### I. Assessment of the Board by Board Members

Each Director evaluates the performance of the Board as a whole by way of a Self-Assessment Questionnaire by Individual Board Members.

The assessments are made against pre-established criteria in the following areas:

- A. Board Composition/Structure
- B. Board Process
- C. Board Governance
- D. Major Responsibilities of the Board

#### II. Individual Director Self-Assessment

For individual Directors' assessments, Self-Assessment Forms by Individual Directors are completed individually by every Director.

#### III. Peer Assessment of Individual Directors

The performance of each Board Member is also assessed by their fellow Board members based on similar criteria of the Individual Director Self-Assessment.

#### IV. Assessment of the Board Committees

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:

- A. Committee Governance
- B. Accountability and Responsibilities

#### Step 2: Reporting and Discussion with the Group NRC and the Board

The results of the annual Board Effectiveness Assessment for the Board as a whole, Board Committees and the contribution of each Individual Director are compiled for deliberation by the Group NRC, respective Board Committees and the Board for improvement, where necessary.

For FY2021, the Board has deliberated on the results of the annual Board Effectiveness Assessment for FY2021, including the required mix of skills and experience of the Directors, their fitness & propriety, independence of the Independent Directors, and 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.

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.

#### Fit and Proper Assessment

The Board, through the Group NRC, assessed the fitness and propriety of the Directors in accordance with the Group's Fit and Proper Policy in conjunction with the annual Board Effectiveness Assessment exercise. All Directors are required to complete a Fit & Proper Declaration annually. The Fit & Proper Declarations by the Directors are verified against independent sources.

The Fit and Proper Policy of the Group was last reviewed and revised by the Board on 25 August 2020. For FY2021, 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 insight and keep abreast with the development in the industry to further enhance their skills and knowledge in discharging their roles and responsibilities effectively. While the Directors are expected to have personal development skills to improve themselves, they are encouraged to attend a minimum of three days of training programmes relating to the relevant areas within a financial year taking into consideration emerging trends in the financial services industry. In addition, each Board Committee member is encouraged to attend a minimum of two days of training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast with the latest developments in the industry.

The 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 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 Financial Institutions Directors' Education Core Programme and Islamic Finance for Board of Directors by ISRA. Upon appointment, a new Director will attend an in-house orientation programme within three months of the appointment where he/she will be briefed on the operations and business strategies by the Senior Management to familiarise him/her with the Bank and the Group.

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

The Directors are provided with the opportunity to attend relevant training programmes on an on-going basis in areas relating to Islamic banking, corporate governance, 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 enable them to keep abreast with the latest developments in the industry. All Directors are also being regularly updated on new requirements affecting their responsibility and are constantly reminded of their obligations.

The Directors have attended various training programmes during FY2021. The list of training programmes attended by the Directors is as follows:

Directors	Training Programmes attended by Directors
Datuk Wan Azhar bin Wan Ahmad	<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> </ul>
Ibrahim bin Hassan	<ul style="list-style-type: none"> <li>• Briefing to Board of Directors on Basic Principle of Islamic Financing</li> <li>• Qualified Risk Director Program - Series 10: Directors Guide to Crisis Management and Leadership During Crisis</li> <li>• Training on Corruption and Modern Slavery Risks: Risks that Agrobank Could Potentially Face?</li> <li>• In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>• Training on Taxaion Development and Updates</li> <li>• Webinar-Climate Action: The Board's Leadership in Greening the Financial Sector</li> <li>• Training on Climate Risk Management by Ernst &amp; Young</li> <li>• In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> <li>• FIDE Forum Webinar: Rethinking Our Approach to Cyber Defence in FIs</li> </ul>
Dato' Ahmad Hisham bin Kamaruddin	<ul style="list-style-type: none"> <li>• FIDE Forum Webinar: Outthink The Competition: Excelling in a Post Covid-19 World</li> <li>• In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>• BNM-FIDE Forum Annual Dialogue with Governor of Bank Negara Malaysia</li> <li>• In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> </ul>
Joel Kornreich	<ul style="list-style-type: none"> <li>• In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>• BNM-FIDE Forum Annual Dialogue with Governor of Bank Negara Malaysia</li> <li>• ICDM: Cultural Diversity in the Boardroom</li> <li>• In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> </ul>
Rustam bin Mohd Idris	<ul style="list-style-type: none"> <li>• FIDE Forum Webinar: Challenging Times: What Role Must the Board Play?</li> <li>• Directors Core Programme (Module A)</li> <li>• Directors Core Programme (Module B)</li> </ul>

	<ul style="list-style-type: none"> <li>• In-house Anti-Bribery &amp; Corruption eLearning Programme FY2021</li> <li>• ISRA: Islamic Finance for Board of Directors Programme</li> <li>• Directors Core Programme (Module A)</li> <li>• In-house Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Training</li> </ul>
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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.

### 13. 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, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his duty of trust.

The Group Remuneration Policy for Non-Executive Directors was reviewed and revised by the Board on 27 April 2020.

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 69-71 of the annual audited financial statements of the Bank for FY2021.

#### Performance Management

The Group's performance is measured using the balanced scorecard covers key financial metrics, franchise building metrics focused on medium to longer term strategic initiatives and human capital. 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 strategy and remuneration outcomes. Formal assessments occur biannually, 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 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 Core Values/Key Behaviours;
- Enables the Bank to attract and retain employees and to motivate them to achieve the desired results;
- Balances the mix of fixed and variable pay to appropriately reflect the value and responsibility of the role, and to influence appropriate behaviours and actions;
- Consistent with, and promotes, effective risk management practices and the Bank's compliance and control culture; and
- Takes into account the long-term performance of the Bank, in order to create sustainable financial performance and value for the Bank and shareholder.

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

#### 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 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 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 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 FY2021. There were four (4) members of the Senior Management of the Bank in FY2021.

Table 1: Remuneration Awarded to Senior Management in FY2021

Category	RM'000
Fixed Pay	2,269
Variable Pay – cash based	490
Deferred Variable Pay – cash based	101

Table 2: Breakdown of Deferred Remuneration to Senior Management in FY2021

Category	RM'000
<b>Total amount of outstanding deferred remuneration</b>	
• Cash	237
• Shares	-
<b>Total amount of deferred remuneration paid out during the financial year</b>	
• Cash	119
• Shares	-
<b>Outstanding deferred remuneration (performance adjustments):</b>	
• Of which exposed to ex-post adjustments	100%
• 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 FY2021

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

## B. SHARIAH COMMITTEE

The Board has established a Shariah Committee which comprises five (5) members who have the necessary qualification, knowledge, expertise and experience in Islamic banking industry. Four (4) of the Shariah Committee members have the necessary qualification in Islamic Jurisprudence whilst one (1) member has the qualification in Business Administration and experience as a central banker.

The members of Shariah Committee are as follows:

1. Dr. Tuan Badrul Hisyam Bin Tuan Soh (Chairman)
2. Assoc. Professor Dr Badruddin bin Hj Ibrahim
3. Ustaz Ahmad Fauwaz bin Ali @ Fadzil
4. Tuan Haji Rustam bin Mohd Idris
5. Professor Dr Muhamad Rahimi bin Osman

The profiles of each of the members of the Shariah Committee are available on the Bank's corporate website at: <https://www.alliancebank.com.my/islamic/corporate/corporate-profile/shariah-committee.aspx>

The primary roles and responsibilities of the Shariah Committee are as follows:

- providing a decision or advice to AIS on the application of any rulings of the BNM's Shariah Advisory Council ("SAC") or standards on Shariah matters that are applicable to the operations, business, affairs and activities of AIS.
- providing a decision or advice on matters which require a reference to be made to the SAC.
- providing a decision or advice on the operations, business, affairs and activities of AIS which may trigger a Shariah non-compliance event.
- deliberating and affirming a Shariah non-compliance finding by any relevant functions.
- endorsing a rectification measure to address a Shariah non-compliance event.
- endorsing Shariah related policies and framework before its being approved by the Board.
- approving procedures which complements policies and framework and product collaterals;
- reviewing AIS' Value Based Intermediaries (VBI) objectives and strategy to ensure they are in line with Shariah principles.
- assessing the works carried out by Shariah Review and Shariah Audit.
- endorsing zakat computation and distribution.

During the FY2021, 15 meetings were held. The attendance of members of the Shariah Committee is as follows:

<b>Shariah Committee Members</b>	<b>Attendance</b>	<b>Percentage</b>
Dr. Tuan Badrul Hisyam bin Tuan Soh (Chairman)	15/15	100%
Associate Professor Dr. Badruddin bin Hj Ibrahim	15/15	100%
Tuan Haji Rustam bin Mohd Idris	14/15	93%
Professor Dr. Muhamad Rahimi bin Osman	14/15	93%
Ustaz Ahmad Fauwaz bin Ali @ Fadzil	15/15	100%

## **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, which is 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 82 to 91 of the 2021 Annual Report of Alliance Bank.

### **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 has 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 which sets out the key guidelines in regards to our conduct with our customers in relation to entertainment and the receipt and giving of gifts.

### **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 Chairperson 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 Chairperson 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 2021 Annual Report of Alliance Bank.

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

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

The above are supplemented with policies, limits and procedures to govern the Bank’s various products, services and activities. The Board and Senior Management are responsible for setting the ‘Tone at the Top’; backed by staff training/orientation and 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 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 2021 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 Risk Management Report set out in the 2021 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 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 2021 Annual Report of Alliance Bank.