

## STATEMENT ON CORPORATE GOVERNANCE

**“In these times, moral courage, integrity and transparency will be more important than ever. We must be brave enough to pursue the right course of action, doing the right thing, unpopular as they may be in the short-term. We must also be accountable for our decisions. This requires that we engage and communicate with the public as never before... It is also important that we foster a culture and environment that prioritises these values at the level of the individual... This will require leadership, incentives and structures that will enable individuals to be clear-eyed and independent-minded... Integrity is best demonstrated through the transparency and thoroughness of disclosures. The publication of financial and non-financial information is the central means by which the public can truly hold... institutions to account”.**

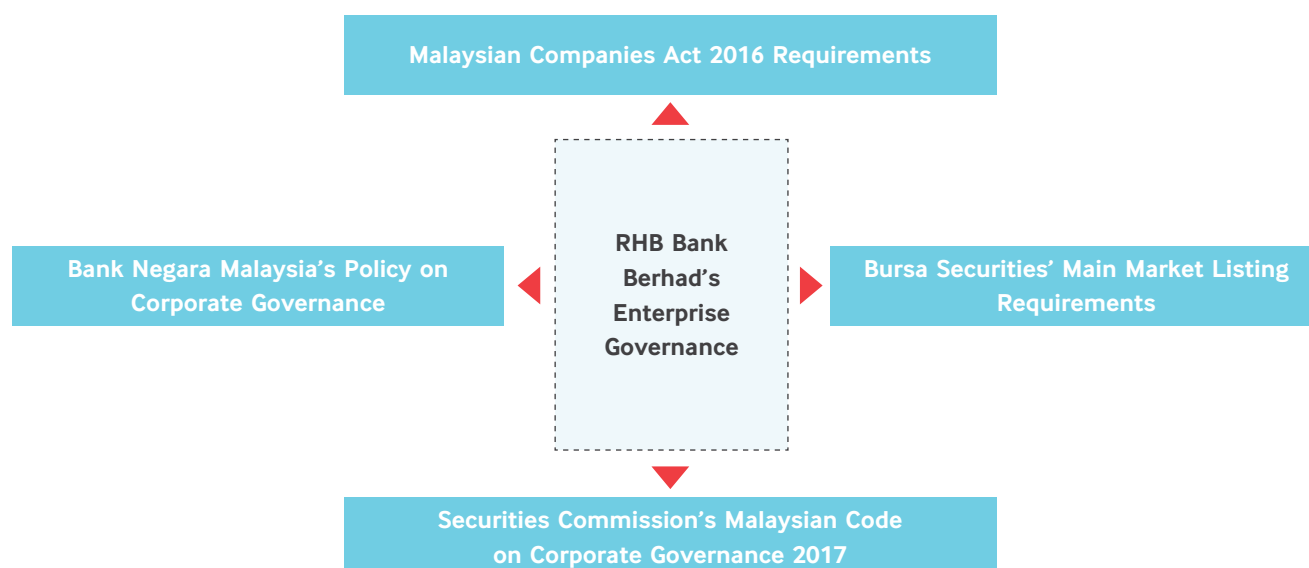
– Bank Negara Malaysia’s Governor Tan Sri Muhammad Ibrahim’s Remarks  
at the National PSA Conference 2017 on 15 August 2017

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### ENTERPRISE GOVERNANCE

The Board of RHB Islamic Bank Berhad (“RHBIB” or “Company”) fully supports adoption of best practices in good corporate governance beyond regulatory requirements. RHBIB, recognises that enterprise governance, which is a balancing act of steering the Group’s performance while it conforms to best compliance practices, whether in accordance with mandatory or voluntary requirements, is fundamental in strengthening and ensuring long-term sustainability of the Group.

The Company continuously strives to stimulate and sustain value creation by subscribing to the principles set out in the following essential requirements and practices:



## CORPORATE GOVERNANCE – *Commitment to Conformance*

RHBIB is fully committed to protect the interests of all its stakeholders by conforming to good corporate governance practices, including greater transparency and sustainable disclosure. This commitment is translated into a corporate culture and manifested across the Group, from the Board of Directors, to the Senior Management and all the Employees. A dedicated Business Risk and Compliance Officer is appointed in each respective business, functional units and branches to propagate and ensure a high standard of compliance to all regulatory and internal requirements. This control function is part of the Group's enterprise risk management framework.

The continuous enhancement in the Company's corporate governance practices has borne significant results in the way that the Group operates. Emphasis placed by the Board of Directors on its fiduciary duty as guardian of public deposits, customers' investments and account holders' policies, through sustainable boardroom scrutiny, decision-making and directives have gained the trust of the stakeholders and in return, built lasting commercial relationships with the its business partners. These efforts were recognised by reputable and independent third parties' assessments which have currently positioned the holding company among the **Top 6** of Malaysian Public Listed Companies ("PLCs") and **Top 50** of Association of Southeast Asian Nations ("ASEAN") Public Listed Companies, in terms of quality disclosures and scope of corporate governance practices.

During 2017, the Group also received the following recognitions:

- Winner of **'Excellence Award for Corporate Governance Disclosure'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017

- **Constituent of the FTSE4Good Bursa Malaysia Index** for good demonstration of Environmental, Social & Governance (E.S.G.) practices as independently assessed by FTSE Russell during 2017 semi-annual reviews
- Winner of **'Merit Award for Board Diversity'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017
- Winner of **'Merit Award: Finalist'** in the National Annual Corporate Report Awards (NACRA) 2017 hosted by the Malaysian Institute of Certified Public Accountants (MICPA), the Malaysian Institute of Accountants (MIA) & Bursa Malaysia on 23 November 2017
- Winner of **'Merit Award for Most Improved Corporate Governance Disclosure'** in the MSWG-ASEAN Corporate Governance Recognition 2017 hosted by the Minority Shareholder Watchdog Group on 6 December 2017
- Joint Gold Winner of **'Best Governed & Most Transparent Award'** in The Global Good Governance Awards 2017 hosted by The Pinnacle Group International on 30 March 2017 (2016: Silver Winner)
- Ranked **11<sup>th</sup>** among Malaysia's Top 100 Public Listed Companies in terms of **Transparency in Corporate Reporting** as accorded by the Malaysian Institute of Corporate Governance (MICG) on 8 August 2017. The assessment mainly covers on 3 dimensions, namely *Anti-Corruption Programme (40%), Organisational Transparency (30%) and Sustainability (30%)*.

Excellence in **corporate governance** is central to promoting the Company's financial services in the areas where it operates. This compliance culture fosters the Group's Directors, Senior Management and the rest of the Employees to embrace professional business ethics and be self-adherent to internal and external requirements.

**MSWG - ASEAN**  
**CORPORATE GOVERNANCE RECOGNITION**  
**2017**



FTSE4Good

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2016

- Enlisted on the FTSE4Good Bursa Malaysia Index for demonstrating good Environmental, Social and Governance (ESG) practices beyond threshold limit

*"FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that RHB Bank has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products."*



- Excellence Award for Corporate Governance Disclosure
- Merit Award for Board Diversity
- Merit Award for Most Improved Corporate Governance Disclosure

ASEAN

Corporate Governance

Scorecard

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2015

- Top 50 ASEAN Public Listed Companies

Public listed companies in Southeast Asia were assessed on good governance and transparency practices using the scorecard methodology, based on the Organisation for Economic Co-operation and Development ("OECD")'s Principles of Corporate Governance.

## STATEMENT ON CORPORATE GOVERNANCE

### BUSINESS GOVERNANCE – *Commitment to Performance*

RHB Bank aspires to become amongst the Top 3 **Multinational Financial Services Group**, in terms of performance by 2022. This vision commits the Company to deliver complete solutions to its customers through differentiated segment offerings and an ecosystem that supports simple, fast and seamless customer experience. This mission intent has been translated into the Group's Core **Shared Values** namely P.R.I.D.E. (**P**rofessional, **R**espect, **I**ntegrity, **D**ynamic & **E**xcellence), the Company's Annual Balanced Scorecard, Sustainable Key Performance Indicators and the Group's **I.G.N.I.T.E.** principles, namely **I**nnovative in approach, **G**rowth oriented, **N**imble in action, **I**mpactful in outcomes, **T**eamwork to succeed and **E**xcellence in delivery. A new 5-year strategic plan, known as FIT22 (**F**und our Journey, **I**nvest to Win and **T**ransform for Success **2022**) comprising 22 initiatives has now been put in place commencing 2018 to achieve its objectives and aspirations by 2022.

A key component of the new strategic plan is the Group's brand promise of **Together We Progress**, basically promoting the idea of the Company, walking hand-in-hand with its internal and external stakeholders, towards achieving sustainable operations as the Company runs and manages its business in an orderly fashion. This includes utilisation of the Group's capitals (financial, manufactured, intellectual, human, social relationship and natural) at optimal level to improve its integrated value chain while safeguarding its assets and the environment for future generations.

The Board of RHBIB has also adopted sustainability principles in 2017 by including Economic, Environment and Social ("EES") considerations into the Company's Board Charter and the Group's business strategies to further emphasise the creation of sustainable business operations and share value. An overview of the Group's EES considerations is laid out in its holding company's Sustainability Report 2017.

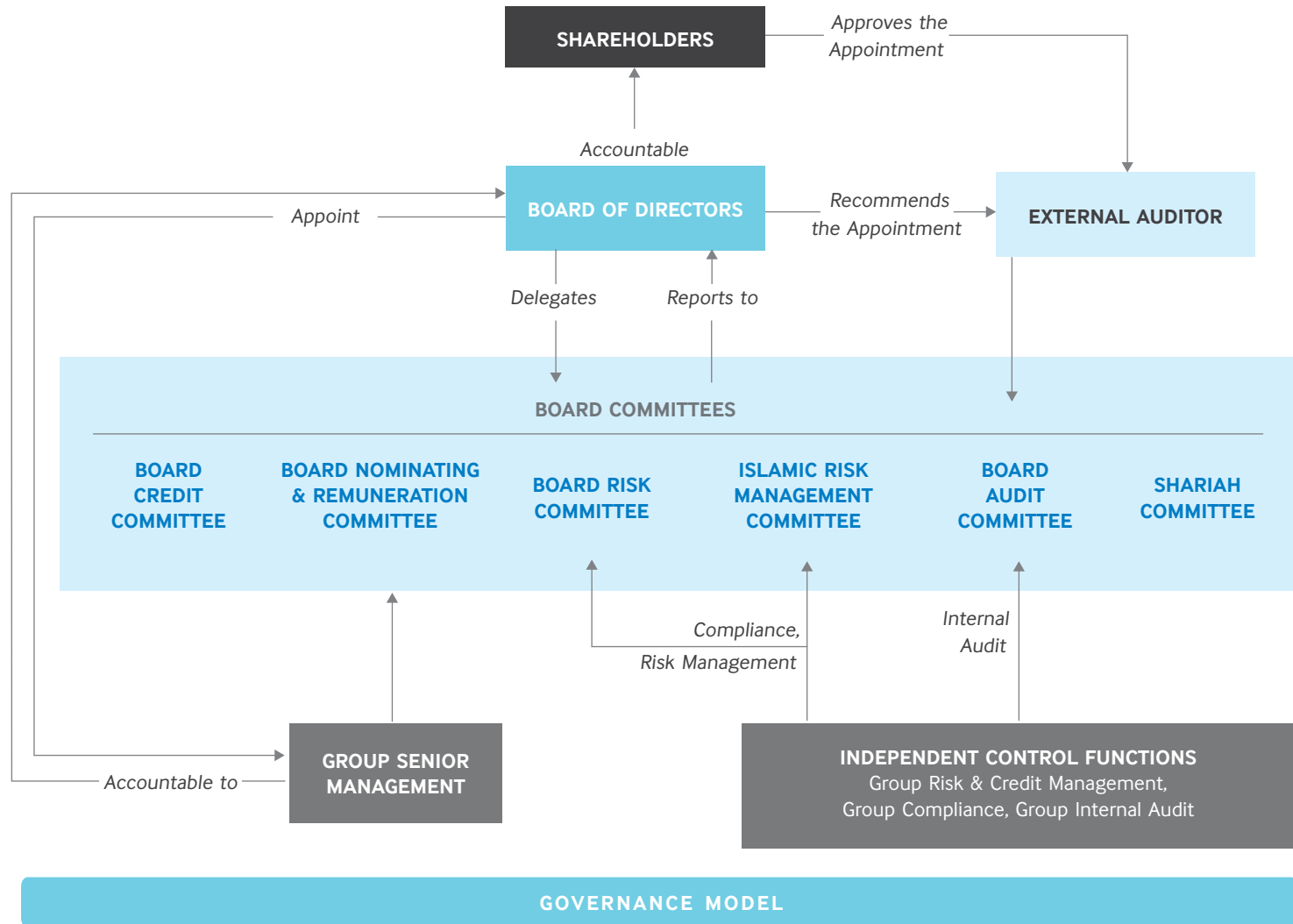
Excellence in **business governance** is essential towards attaining stakeholders' confidence in the Company's sustainable operations. The Group, through its journey in adopting integrated reporting for the past three years, aims to achieve this goal of communicating effectively to stakeholders, matters which are most relevant, material and important to them and to the Group, covering both financial and non-financial information.

### ORGANISATIONAL CULTURE

A corporate culture that embraces the correct behaviours to achieve a company's objectives is fundamental in ensuring sustainable long-term growth and success for any organisation. The latest Board Effectiveness Evaluation exercise was designed internally for the first time, specifically to assess the tone at the top in areas such as leadership, decision-making, communication, group dynamics and mind-set of the Board as a collective unit and Board members as individuals. Actions will then be taken to address identified gaps to enhance the performance of the Board.

In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met within the approved risk appetites, the Board is bound by its Charter, Terms of Reference ("ToR") for its various Board Committees, Group Code of Ethics & Business Conduct for Directors, and other internal guidelines. To complement the Charter, various policies and guidelines including the Group Manual of Authority, Power of Attorney, Delegated Lending & Financing Authority (Discretionary Powers), Group Code of Ethics & Conduct for Employees, Group Whistleblowing Policy and Group Gifts & Hospitality Guidelines were approved or endorsed by the Board to ensure good governance practice and fiduciary duties are implemented by the Senior Management and other key personnel.

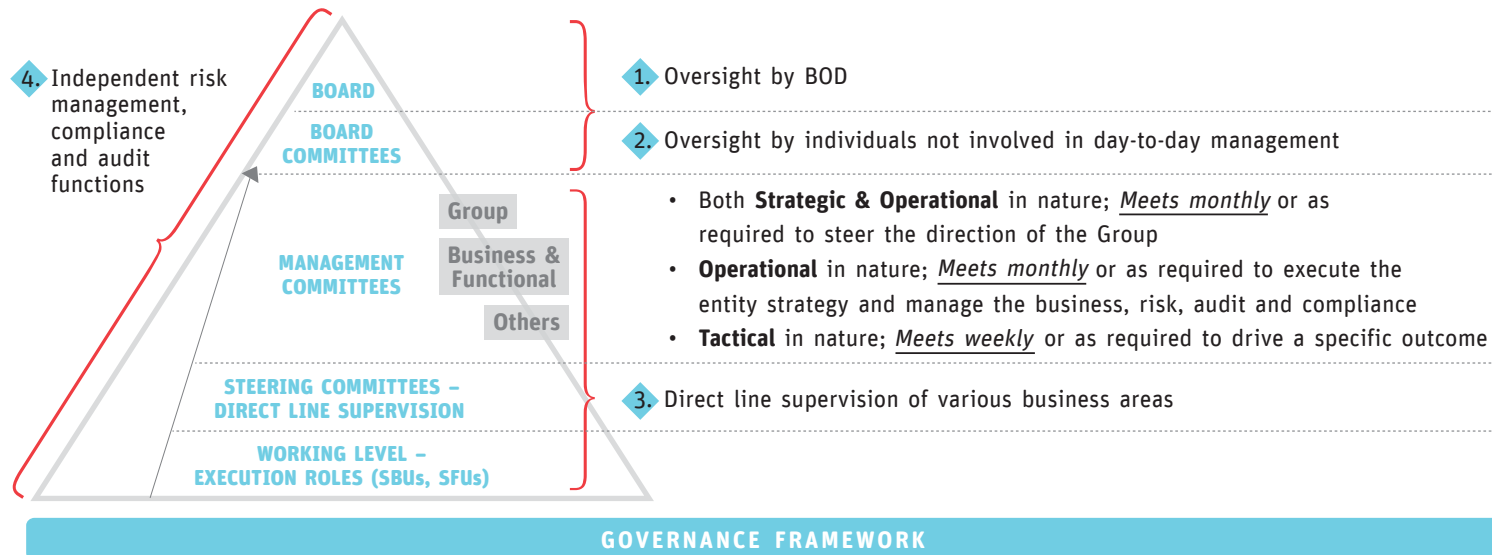
## GOVERNANCE MODEL &amp; FRAMEWORK



The Board continuously explores enhancements to the Group's governance processes to ensure it remains robust as it continues to expand. The governance model and framework are currently being used as a guide and reference to build a strong governance structure and conformance culture within the Company and other RHB entities in the banking group. The **Governance Model** outlines a clear organisational structure with robust internal controls and risk management mechanisms which promote high standards of governance and of integrity, transparency and well-defined accountabilities and responsibilities of Shareholders, Board and Board Committees, Senior Management, External and Internal Auditors and other Independent Control Functions.

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The Board has also approved and established the **Group Governance Framework** as a basis of an effective governance and oversight to support the overall RHB Banking Group's strategies.



Under this framework, there are various levels of oversight operating across the Group's business and functional activities. These include amongst others; direct supervision, Senior Management, independent parties comprising of risk management, compliance and internal audit, Group Managing Director ("Group MD"), Managing Directors ("MDs"), Board Committees and the Board. A clear and transparent governance structure for various central and sub-committees set by the Board members and the Senior Management has institutionalised the Company as a risk-focused organisation with proper control functions and good corporate governance practice.

### BOARD GOVERNANCE MANUAL

The main documents governing the Board are the Company's Memorandum & Articles of Association (*moving forward to be known as the "Constitution"*), the Board Charter and the Code of Ethics and Business Conduct for Directors. The Board is also guided by the Approval Framework on Directors' Expenses, the Boardroom Diversity Policy, Policy and Guidelines on Fit and Proper for Key Responsible Persons, Guidelines on Tenure of Non-Executive Directors' Appointment, Procedures for Independent Professional Advice and also Procedures on Directors' In-House Orientation & Continuing Education Programme. All these frameworks, policies, procedures and processes serve as guidance to the Board in discharging their duties effectively, efficiently and responsibly.

### BOARD COMMITTEES

To ensure effectiveness in discharging its roles and responsibilities, the Board delegates specific authorities to the relevant Board Committees. This delegation of authority is expressly stipulated in the Terms of References ("TOR") of the respective Board Committees. The TORs are reviewed periodically to ensure effective and efficient decision making in the Group. The Board Committees also act as oversight committees, evaluating and recommending matters under their purview for the Board to consider and approve.

The Board receives updates from the respective chairmen/representatives of the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee on matters that require specific mention that have been deliberated and considered at the meetings of Board Committees. This practice also applies for other entities within the Group.

#### **Board Nominating & Remuneration Committee**

The key objectives of the Board Nominating & Remuneration Committee ("BNRC") are, as follows:-

- Review and assess the appointment/re-appointments of Directors, Board Committee members, Shariah Committee and key Senior Management officers for recommendation to the Boards.
- Advise the Boards on optimal size and mix of skills of Boards/Board Committees/Shariah Committees.
- Provide oversight and direction on HR matters and operations, and recommend to the Boards for approval of remuneration and human resource (HR) strategies.

The BNRC comprises five NEDs, of whom three are INEDs and two are NINEDs, representing the respective entities within the Group. The BNRC is chaired by YBhg Tan Sri Saw Choo Boon, the SINED of RHB Bank. The composition of the BNRC consisting of majority Independent Directors, complies with the Bursa Malaysia Listing Requirements, Malaysian Code on Corporate Governance 2017 and Bank Negara Malaysia's Policy Document on Corporate Governance 2016. Similar composition was recorded throughout the calendar year of 2017 from 1st January until the retirement of Mr Ong Seng Pheow, an INED of the Company effective 19 November 2017. The vacancy on the BNRC was then filled-in by YBhg Tan Sri Dr Rebecca Fatima Sta Maria, also an INED effective 15 February 2018.

### **Board Risk Committee**

The Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and to safeguard shareholders' investments as well as the Company's and the Group's assets. A Group Risk Management Framework has been established to provide a holistic overview of the risk and control environment of the Group, as well as to set out strategic progression of risk management towards becoming a value creation enterprise. Detailed disclosures on the features, adequacy and effectiveness of this framework are available in the Statement on Risk Management & Internal Control on pages 30 to 36.

The Board Risk Committee ("BRC") provides oversight and governance of risks for the Group to ensure that the Group's risk management processes are functional and effective. The BRC also oversees Senior Management's activities in managing risk, ensuring that the risk management process in each of the Group's entities function in accordance with a risk-return performance management framework. Furthermore, the BRC supports and leads the Senior Management in driving the appropriate Risk Culture and Risk Ownership in the Group.

The BRC's other duties and functions among others include the following:

- To provide oversight to ensure that the Group's risk management framework, processes, organisation and systems are functioning commensurate with its nature, scale, complexity of activities and risk appetite.
- To deliberate and assess the nature and materiality of risk exposures, potential risks and impact on capital and the Group's sustainability.
- To review and approve proposed changes to Delegated Lending (Financing) Authorities/Discretionary Powers/Powers of Attorney, limits for business and operations.
- To review and approve changes to policies and frameworks (excluding HR related policies and framework), risk methodologies/models and other significant risk management matters, in line with the approved risk strategy.
- To review and approve new/existing products with material variations in product features.

The BRC comprises a **majority** of Independent Directors. The board committee currently comprises four NEDs, of whom three are INEDs and one NINED, representing the respective entities within the Group. The BRC met 12 times during the financial year 2017.

Pursuant to the Group's current governance framework, RHBIB has adopted the BRC while maintaining a dedicated Risk Management Committee to manage Shariah risk and its associated intricacies.

### **Board Audit Committee**

The Board Audit Committee ("BAC") comprises three INEDs representing RHB Bank and its major operating subsidiaries. The Chair of the BAC is **not** the Chairman of the Board of the Company. The BAC has policies and procedures to assess the suitability, objectivity and independence of the external auditors engaged. Considerations on the appointment of the external auditors to provide audit and non-audit services would include the expertise, adequacy of knowledge and experience required for the services rendered, the tenure of the engagement partner and also the concurring partner, the competitiveness of the fees quoted and the fees threshold established under the internal Group Policy on Non-Audit Fees Paid/Payable to External Auditors.

The BAC provides independent oversight of RHB Banking Group's financial reporting and internal control system, ensuring checks and balances for entities within the Group. The BAC continuously reinforces the independence of the external auditors and provides a line of communication between the Board and the external auditors.

The BAC reviews the integrity and reliability of the Company's and the Group's financial statements on a quarterly basis, prior to recommending the same for the Board's approval and issuance to stakeholders. During the reviews, the Group Chief Financial Officer provides assurance to the BAC that:

- Adequate processes and controls are in place for an effective and efficient financial statement close process;
- Appropriate accounting policies have been adopted and applied consistently; and
- The relevant financial statements give a true and fair view of the state of affairs of the Company and the Group in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Companies Act 2016.

The BAC also meets twice a year with the external auditors, without the presence of the Management and the executive Board member, to discuss any key issues/areas that require attention of the BAC and the Board.



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The BAC also emphasises the internal audit function by increasing the objectivity and independence of the internal auditors and provides a forum for discussion that is, among others, independent of the Management. Additionally, the BAC reviews the quality of the audits conducted by internal and external auditors as well as the Group's financial condition and performance. This enhances the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports. Detailed disclosures on BAC's governance structure and primary activities are available on pages 37 to 42 of this Annual Report.

### **Board Credit Committee**

The Board Credit Committee ("BCC") comprises three NEDs, of whom one is INED and two are NINEDs representing the respective banking entities within the Group. The BCC supports the relevant Boards in affirming, vetoing or including additional conditions on all types of credit applications (including under stock/futures broking) and underwriting applications for amounts above the defined thresholds of the Group Credit Committee and/or the Group Investment & Underwriting Committee, both comprise of the Company's management. It also endorses and recommends write-offs as well as approves all policy loans/financing and loans/financing which are required by Bank Negara Malaysia ("BNM") to be approved by the respective Boards.

### **Shariah Committee**

The Shariah Committee is housed at RHBIB comprises five (5) qualified local Shariah scholars.

The main duties and responsibilities of the Shariah Committee are as follows:

- To advise on all Shariah matters to ensure its business operations comply with Shariah Principles, where applicable.
- Where relevant, to consult BNM's Shariah Advisory Council ("SAC") on any Shariah matters which have not been resolved or endorsed by the SAC.
- To perform an oversight role on Shariah matters related to the institution's business operations and activities.

### **Islamic Risk Management Committee**

The Islamic Risk Management Committee ("IRMC") resides at RHBIB and comprises three (3) INEDs of RHBIB. The IRMC provides risk oversight and guidance to ensure that the management of risk exposures in RHBIB are aligned to the principles of Islamic Banking as guided by the relevant regulatory authority, as well as to ensure that core risk policies are consistent with the Group's. The IRMC also oversees the execution of risk policies and related decisions by RHBIB's Board, and provides oversight for major risk categories which are unique to Islamic finance. These include displaced commercial risk, withdrawal risk, rate of return risk, fiduciary risk and Shariah non-compliance risk.

## BOARD TRAINING AND DEVELOPMENT

The Board emphasises the importance of continuing education and training for its Directors to ensure they keep up with the latest developments in the areas related to their duties. A budget for Directors' training is provided each year by RHBIB. The Board, as part of the Board Effectiveness Evaluation ("BEE") exercise, assesses the training needs of each Director annually. The training and development of Directors are detailed in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group.

The Non-Executive Directors ("NED") of the Company and the Group are encouraged to attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that engender organisational excellence. The Company Secretaries facilitate the organisation of internal training programmes and Directors' attendance of external programmes, and keep a complete record of the training received and attended by the Directors.

### **Learning Process for New Director**

Two new NED are on board of the Company for the FYE 2017. The newly appointed Company's NEDs, namely Ms Ong Ai Lin and YBhg Dato' Foong Chee Meng attended an induction programme organised by the Management of the Group on 19 July 2017 and 15 September 2017 respectively to provide them with in-depth information of the industry as well as an overview of the Group's business operations. During the induction programme, the new directors were briefed by relevant Management personnel on the functions and areas of responsibility of their respective divisions. This enables the new Group NEDs to familiarise themselves with the Group's operations and organisational structure and also helps them to establish effective channels of communication and interaction with Management.

In addition, the new NEDs received a comprehensive Director's induction kit to assist them in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations.

Apart therefrom, they were required to complete the Financial Institutions Directors' Education ("FIDE") programme within one year of their respective appointment. The FIDE programme aims to enhance boardroom governance within the financial sector and develop world class directors who are advocates of best practices and excellence in corporate governance.

### Director's Training

During the year, the Directors of RHBIB attended the following training programmes, conferences and seminars:

Name of Director(s)	Training Programme Attended	Training Scope & Description
The Late Tuan Hj Md Ja'far Abdul Carrim	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> <li>• Cryptocurrency including BitCoin</li> <li>• Blockchain Technology</li> <li>• Potential Use Cases in the Financial Services Industry</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> <li>• Digital Economy era</li> <li>• Fintech and its Impact</li> <li>• Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>
	FIDE FORUM Invitation – 2nd Distinguished Board Leadership Series & 6th Annual General Meeting	<ul style="list-style-type: none"> <li>• The role that the board plays in assessing the adequacy of such a remuneration policy, including key questions that boards should ask to ensure that the remuneration policy is sufficiently robust to meet regulatory requirements while attracting the right talent to the FI;</li> <li>• Key issues and challenges in implementing such a remuneration policy; and</li> <li>• Pragmatic steps and quick tips in managing the challenges that arise from the implementation of such a remuneration policy</li> </ul>
	Fintech: Opportunities for the Financial Services Industry in Malaysia	<ul style="list-style-type: none"> <li>• Current Status &amp; Approach in Fintech Adoption Among Malaysian Financial Institutions (FI)</li> <li>• Opportunities for FI-Fintech Collaboration under Regtech Sandbox</li> <li>• Key Areas &amp; Issues for Board's Consideration</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications	<ul style="list-style-type: none"> <li>• The New Approach &amp; Key Features</li> <li>• Board Leadership and Effectiveness</li> <li>• Effective Audit and Risk Management</li> <li>• Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>
	Crypto currency & Block chain Technology, Viewpoints of an Entrepreneur	<ul style="list-style-type: none"> <li>• Key issues and challenges, as well as opportunities and threats of cryptocurrencies and blockchain technology</li> <li>• Possible strategy for your business models</li> </ul>
Datuk Haji Faisal Siraj	Peer-2-Peer (P2P) Lending and Crowdfunding/ Crowdsourcing by Group Chief Operations Officer	<ul style="list-style-type: none"> <li>• Alternative Funding Models</li> <li>• Licensed P2P Operators</li> <li>• Licensed Equity Crowdfunding Operators</li> <li>• Regulatory Framework Market Potential</li> </ul>
	Islamic Banking by 2030: Impact of Digital Economy, Fintech & Sustainability as Forces of Change by SHAPE	<ul style="list-style-type: none"> <li>• Digital Economy era</li> <li>• Fintech and its Impact</li> <li>• Sustainability &amp; Social Responsibility Investment (SRI)</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications by SIDC	<ul style="list-style-type: none"> <li>• The New Approach &amp; Key Features</li> <li>• Board Leadership and Effectiveness</li> <li>• Effective Audit and Risk Management</li> <li>• Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>



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Name of Director(s)	Training Programme Attended	Training Scope & Description
Datuk Haji Faisal Siraj (continue)	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> <li>Global Perspectives in the Islamic Financial Industry</li> <li>Critical Success Factors and Critical Failure Factors</li> </ul>
	AML/CFT & Regulatory Compliance Training for Board of Directors & Senior Management	<ul style="list-style-type: none"> <li>Global Trends in 2017</li> <li>Insights from PwC Economic Crime Survey 2016</li> <li>What does it mean to be AML/CFT compliant</li> <li>Regulatory landscape</li> <li>Common AML/CFT challenges faced by FIs in Malaysia</li> </ul>
Dato' Abd Rahman Bin Dato' Md Khalid	New Directors' In-House Orientation by Group Company Secretary	<ul style="list-style-type: none"> <li>RHB Banking Group's Governance &amp; Shareholding Structure</li> <li>Group's Core Businesses</li> <li>Overview by Head/Representative of Group's Strategic Business and Functional Groups</li> </ul>
	Cryptocurrency and Blockchain Technology by Neuroware	<ul style="list-style-type: none"> <li>Cryptocurrency including BitCoin</li> <li>Blockchain Technology</li> <li>Potential Use Cases in the Financial Services Industry</li> </ul>
	Business as a force for good: The role of the private sector in achieving the Sustainable Development Goals	<ul style="list-style-type: none"> <li>National and Industries' perspectives on achieving the SDGs together</li> <li>Better business, better opportunities</li> <li>SDGs and the Private Sector</li> <li>Responsible Investment and Financing</li> </ul>
	Malaysian Code on Corporate Governance: Expectation and Implications	<ul style="list-style-type: none"> <li>The New Approach &amp; Key Features</li> <li>Board Leadership and Effectiveness</li> <li>Effective Audit and Risk Management</li> <li>Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders</li> </ul>
	FIDE FORUM Invitation – 2nd Distinguished Board Leadership Series & 6th Annual General Meeting	<ul style="list-style-type: none"> <li>The role that the board plays in assessing the adequacy of such a remuneration policy, including key questions that boards should ask to ensure that the remuneration policy is sufficiently robust to meet regulatory requirements while attracting the right talent to the FI;</li> <li>Key issues and challenges in implementing such a remuneration policy; and</li> <li>Pragmatic steps and quick tips in managing the challenges that arise from the implementation of such a remuneration policy</li> </ul>
	Shariah Awareness Programme by Amanie Group	<ul style="list-style-type: none"> <li>Global Perspectives in the Islamic Financial Industry</li> <li>Critical Success Factors and Critical Failure Factors</li> </ul>
	RAM Sustainability Impact Rating by Datuk Seri Dr. K.Govindan, Group CEO of RAM Holdings Berhad	<ul style="list-style-type: none"> <li>RAM's Role in Sustainable Finance</li> <li>RAM Consultancy's Sustainability Services</li> <li>Sustainability Rating</li> <li>Recent Development</li> </ul>

Name of Director(s)	Training Programme Attended	Training Scope & Description
Dato' Abd Rahman Bin Dato' Md Khalid (continue)	AIF Professional Masterclass: Exploring the Dynamics of Leadership	<ul style="list-style-type: none"> <li>• RECOGNIZE the importance of emotional intelligence</li> <li>• INCREASE one's psychological and social competencies</li> <li>• LEARN what leadership team coaching is all about</li> <li>• RECOGNIZE the darker side of leadership</li> <li>• INDICATE how leaders can derail</li> <li>• RECOGNIZE out-of-awareness behaviour patterns and take appropriate corrective action</li> <li>• IDENTIFY the parameters that make</li> </ul>
	Half-Day Seminar: Governance & Leadership In Technology Disruption	<ul style="list-style-type: none"> <li>• The technological &amp; societal disruptors – a strategic view</li> <li>• The impact of these disruptors on current business practice &amp; governance</li> <li>• Individual SWOT analysis how the participant's organisations will hold up under these oncoming changes</li> <li>• Explore how their existing corporate cultures are a key bottle neck for the need to transform their organisations</li> </ul>
	AML/CFT & Regulatory Compliance Training for Board of Directors & Senior Management	<ul style="list-style-type: none"> <li>• Global Trends in 2017</li> <li>• Insights from PwC Economic Crime Survey 2016</li> <li>• What does it mean to be AML/CFT compliant</li> <li>• Regulatory landscape</li> <li>• Common AML/CFT challenges faced by FIs in Malaysia</li> </ul>
	Briefing on MFRS 9	<ul style="list-style-type: none"> <li>• Classification and measurement of financial assets &amp; financial liabilities</li> <li>• Impairment-expected credit losses</li> <li>• General hedge accounting*</li> </ul>
Dato' Foong Chee Meng	New Directors' In-House Orientation by Group Company Secretary	<ul style="list-style-type: none"> <li>• RHB Banking Group's Governance &amp; Shareholding Structure</li> <li>• Group's Core Businesses</li> <li>• Overview by Head/Representative of Group's Strategic Business and Functional Groups</li> </ul>
	2nd Securities Commission – FIDE FORUM Dialogue: Leveraging Technology for Growth	<ul style="list-style-type: none"> <li>• Enhance access to financing the progress of equity crowdfunding (ECF) and peer-to-peer financing (P2P) in Malaysia thus far</li> <li>• Increase investor participation Robo-advisory and Digital Investment Management Framework introduced in May 2017</li> <li>• Emerging Technologies: Artificial Intelligence for Capital Markets</li> </ul>
	AML/CFT & Regulatory Compliance Training for Board of Directors & Senior Management	<ul style="list-style-type: none"> <li>• Global Trends in 2017</li> <li>• Insights from PwC Economic Crime Survey 2016</li> <li>• What does it mean to be AML/CFT compliant</li> <li>• Regulatory landscape</li> <li>• Common AML/CFT challenges faced by FIs in Malaysia</li> </ul>
Ms Ong Ai Lin	New Directors' In-House Orientation by Group Company Secretary	<ul style="list-style-type: none"> <li>• RHB Banking Group's Governance &amp; Shareholding Structure</li> <li>• Group's Core Businesses</li> <li>• Overview by Head/Representative of Group's Strategic Business and Functional Groups</li> </ul>

## STATEMENT ON CORPORATE GOVERNANCE

Name of Director(s)	Training Programme Attended	Training Scope & Description
Ms Ong Ai Lin (continue)	Cyber Landscape In The Malaysian Financial Industry by AICB	<ul style="list-style-type: none"> <li>• Paradigm Shift in Mindset in Managing Cyber Threats</li> <li>• Cyber Risks &amp; Threats Landscape</li> <li>• The World Under Siege: Building Effective Cyber Defense</li> <li>• Balancing Act: Cyber Risks and New Technologies Building Cyber Resilience</li> </ul>
	Mandatory Accreditation Programme for Directors of Public Listed Companies by ICLIF	<ul style="list-style-type: none"> <li>• Understanding the directors' obligation: Board effectiveness &amp; managing risk</li> <li>• Discharging directors' financial reporting responsibility</li> <li>• Demystifying Directors' Key Obligations under The Listing Requirements of Bursa Malaysia Securities Berhad</li> <li>• Audit Committee Expanded Governance Oversight Role</li> </ul>
	Malaysian Institute of Accountants Annual Conference 2017	<ul style="list-style-type: none"> <li>• Post Brexit, Gulf Crisis &amp; Geopolitical Risks: Its Impact on Asian Economy</li> <li>• Public Sector Governance</li> <li>• Impact of MFRS 15</li> <li>• Tax Opportunities and Challenges in the Digital Economy</li> <li>• Cyber Threat Intelligence: Key Defence Element</li> </ul>
	Fundamentals of Blockchain Technology by ICAEW	<ul style="list-style-type: none"> <li>• Blockchain's Role in Managing Bitcoin</li> <li>• Key Features of Blockchain Technology</li> <li>• Potential Applications</li> </ul>
	AML/CFT & Regulatory Compliance Training for Board of Directors & Senior Management	<ul style="list-style-type: none"> <li>• Global Trends in 2017</li> <li>• Insights from PwC Economic Crime Survey 2016</li> <li>• What does it mean to be AML/CFT compliant</li> <li>• Regulatory landscape</li> <li>• Common AML/CFT challenges faced by FIs in Malaysia</li> </ul>
	Briefing on MFRS 9	<ul style="list-style-type: none"> <li>• Classification and measurement of financial assets &amp; financial liabilities</li> <li>• Impairment-expected credit losses</li> <li>• General hedge accounting*</li> </ul>
	FIDE CORE Programme: Module A	<ul style="list-style-type: none"> <li>• Understanding of the role of the board</li> <li>• Equip directors with tools and strategies</li> <li>• Responsibility of the board for promoting a strong risk control culture</li> <li>• Explore plausible and extreme stress scenario</li> </ul>

## BOARD COMPOSITION AND ATTENDANCE

Details on the **independent status** of the Board of Directors, their **roles** in Board Committees and their **attendance** at the aforesaid meetings in 2017 are set out below:

Company's Director	Position/ Independent Status	Date of Board appointment	Attendance of Meetings					BCC <sup>5</sup> Meeting
			Board Meeting	IRMC <sup>1</sup> Meeting	BNRC <sup>2</sup> Meeting	BRC <sup>3</sup> Meeting	BAC <sup>4</sup> Meeting	
YBhg Dato' Abd Rahman Dato' Md Khalid	Senior Independent Non-Executive Director (SINED) <i>(Appointed as SINED w.e.f. 25 April 2017)</i>	2 January 2017	14/14 (100%)	11/11 (100%) <i>(Appointed as Committee Member/ Chairman w.e.f. 28 February 2017)</i>	NA	NA	NA	35/38 (92%)
YBhg Datuk Haji Faisal Siraj	Non-Independent Non-Executive Director (NINED)	3 December 2007	13/14 (93%)	3/3 (100%) <i>(Resigned as committee member w.e.f. 28 February 2017)</i>	NA	NA	NA	NA
YBhg Dato' Foong Chee Meng	Independent Non-Executive Director (INED)	1 August 2017	6/6 (100%)	NA	5/5 (100%)	NA	NA	NA
Ms Ong Ai Lin	Independent Non-Executive Director (INED)	1 September 2017	5/5 (100%)	2/2 (100%) <i>(Appointed as committee member w.e.f. 13 November 2017)</i>	2/2 (100%) <i>(Appointed as committee member w.e.f. 1 July 2017)</i>	1/1 (100%) <i>(Appointed as committee member w.e.f. 1 November 2017)</i>	7/7 (100%) <i>(Appointed as committee member w.e.f. 1 July 2017)</i>	NA
YBhg Dato' Adissadikin Ali	Managing Director (MD)/Chief Executive Officer (CEO)	1 August 2016	13/14 (93%)	NA	NA	NA	NA	NA
Tuan Haji Md Ja'far Abdul Carrim	Chairman/ Independent Non-Executive Director (INED)	10 August 2009 <i>(Deceased on 19 October 2017)</i>	11/11 (100%)	12/12 (100%)	NA	NA	28/31 (91%)	NA

## STATEMENT ON CORPORATE GOVERNANCE

Company's Director	Position/ Independent Status	Date of Board appointment	Attendance of Meetings					
			Board Meeting	IRMC <sup>1</sup> Meeting	BNRC <sup>2</sup> Meeting	BRC <sup>3</sup> Meeting	BAC <sup>4</sup> Meeting	BCC <sup>5</sup> Meeting
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir	Independent Non-Executive Director (INED)	6 October 2015 <i>(Resigned w.e.f. 1 August 2017)</i>	6/8 (75%)	4/6 (67%) <i>(Resigned as committee member w.e.f. 28 February 2017)</i>	4/4 (100%) <i>(Resigned as committee member w.e.f. 1 July 2017)</i>	NA	15/19 (79%) <i>(Resigned as committee member w.e.f. 1 July 2017)</i>	2/2 (100%)
YBhg Dato' Mohd Ali Mohd Tahir	Independent Non-Executive Director (INED)	1 January 2011 <i>(Resigned w.e.f. 28 February 2017)</i>	2/2 (100%)	3/3 (100%)	NA	NA	NA	NA

### Note:

1-5 Abbreviations used denote various main Board Committees.

5 This Board Technology Committee was dissolved with effect from 1 May 2017.

NA Not Applicable

## REMUNERATION GOVERNANCE

The remuneration structure of RHBIB's Non-Executive Directors ("NEDs") in the Company for 2017 per BNM Policy disclosure requirement is laid out as follows:

No.	NEDs' Remuneration Scheme	Aggregated Amount of the NEDs' Remuneration	
		Unrestricted/ Non-Deferred (RM'000)	Restricted/ Deferred (RM'000)
A. Fixed-Type Remuneration			
	i. Cash-based <ul style="list-style-type: none"> <li>• Fixed Fees <ul style="list-style-type: none"> <li>– Directors' Fees<sup>1</sup></li> <li>– Board Committees' Allowances<sup>2</sup></li> <li>– Chairmen's premium<sup>3</sup></li> </ul> </li> </ul>	1,246	Nil
	ii. Shares & share-linked instruments	Nil	Nil
	iii. Others <ul style="list-style-type: none"> <li>• Benefits-in-kind<sup>5</sup></li> <li>• Emolument <ul style="list-style-type: none"> <li>– Farewell Pot<sup>4</sup></li> </ul> </li> </ul>	17	Nil
B. Variable-Type Remuneration			
	i. Cash-based <ul style="list-style-type: none"> <li>• Meeting Attendance Allowance<sup>6</sup></li> </ul>	233	Nil
	ii. Shares & share-linked instruments	Nil	Nil
	iii. Others <ul style="list-style-type: none"> <li>• Directors' &amp; Officers' Liability Insurance<sup>7</sup></li> </ul>	374	Nil

**Notes:**

The overall remuneration package of the NEDs of the Group/Company comprises the following components:

**1) Directors' Fees**

NEDs are entitled to annual Directors' fees, which are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Company. The Management has recommended that the Group Directors' Fees structure to be revised from RM150,000.00 to RM170,000.00 per annum for the Non-Executive Chairman and from RM120,000.00 to RM135,000.00 per annum for each of every NED retrospective from 1 January 2017. The above proposal is subject to the approval of the shareholder at the forthcoming 2018 Annual General Meeting of the Company.

**2) Board Committee Allowances**

NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

**3) Chairmen's Premium**

NEDs who sit on various Boards and Board Committees as the chairman are entitled to receive a premium above the normal respective Board and Board Committee allowances, which shall be paid on an annual basis at the end of each financial year.

**4) Emoluments**

All NEDs will be awarded with 'Farewell Pot' scheme upon exit from the Group while the Group Chairman is accorded with a special allowance, in recognition of their services and commitments to the Group. Under the 'Farewell Pot' scheme, any NED who leaves the Group would be entitled to RM2,000 in cash equivalent for each year of his/her service in the Group or as decided by the BNRC.

**5) Benefits-in-kind**

Benefits are accorded to the Chairmen of the Group, consisting amongst others the provision of a company car, driver and petrol allowance.

**6) Meeting attendance allowance**

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings. Total allowances are subject to number of Board/Board Committee sittings and number of meetings attended by each Company's Non-Executive Director.

**7) Directors' & Officers' ("D&O") Liability Insurance**

The insurance covers the Group's Directors in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards a portion of the premiums of the said policy.

All the non-executive directors' remuneration, including the fees, allowances, benefits in-kind and other emoluments will be subject to the shareholders' approval during the Company's annual general meeting ("AGM"), on yearly basis. When the non-executive directors' remuneration matters were presented before the Company's directors during the AGM, the Board members (save for YBhg Dato' Adissadikin Ali, being the MD/CEO) declared their interests in respect of the above proposal. The interested Directors abstained from voting in respect of their direct and/or indirect shareholdings (if any) on the resolution relating thereto.