



## CORPORATE GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2024 (FY2024)

The Board of Directors (“Board”) of Alliance Islamic Bank Berhad (“AIS” or “the Bank”) firmly believes that good corporate governance is 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 operations to enhance business prosperity and corporate accountability with the ultimate objective of safeguarding the interests of all stakeholders and enhancing shareholder value.

This corporate governance statement serves to provide a summary of the Bank’s corporate governance practices during FY2024 with reference to paragraph 22.1 of Bank Negara Malaysia (“BNM”)’s Policy Document on Corporate Governance.

### A. BOARD OF DIRECTORS

#### 1. Board Composition

The Board currently has five (5) members, comprising entirely Non-Executive Directors:

- (i) Datuk Wan Azhar bin Wan Ahmad - Non-Independent Non-Executive Director/Chairman (redesignated as Non-Independent Non-Executive Director/Chairman w.e.f. 7 April 2024)
- (ii) Ibrahim bin Hassan - Independent Director
- (iii) Dato’ Ahmad Hisham bin Kamaruddin - Independent Director
- (iv) Rustam Bin Mohd Idris - Independent Director
- (v) Dr John Lee Hin Hock - Independent Director (appointed w.e.f. 1 April 2024)

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>

#### 2. The Board’s Roles and Responsibilities

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

The key responsibilities of the Board are set out below:

- (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 Chief Executive Officer (“CEO”), control function heads and other members of Senior Management, such that the Board is satisfied with the collective competence of Senior Management to effectively lead the operations of the Bank;

- (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 behaviour 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) Oversee and approve sustainability strategies, priorities and targets through incorporation of 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.

The Board Charter was last reviewed by the Board on 24 October 2023.

The Board Charter 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 Board members and individual employees to discharge their duties in a professional, honest and ethical manner.

In addition, the Board has set up a Conflicts of Interest Policy for Directors to identify, disclose and manage any actual or potential conflicts of interest. Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to items of business. Directors are to rescue themselves from discussion or decisions on those matters if they have a conflict of interest.

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

The Conflicts of Interest Policy for Directors was last reviewed by the Board on 26 September 2023.

The Code of Conduct and the Conflicts of Interest Policy for Directors, which were established at the Group level, are available on Alliance Bank Malaysia Berhad's ("Alliance Bank") corporate website at:

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

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

#### **4. Division of Responsibilities between the Chairman and CEO**

The roles of the Chairman and CEO are separated, consistent with the principle of good corporate governance to promote accountability and facilitate division of responsibilities between them.

Datuk Wan Azhar being the Non-Independent Non-Executive Chairman in leading the Board, is responsible for the effective overall functioning of the Board. He maintains a close professional relationship with the CEO, En. Rizal IL-Ehzan and his Senior Management team and acts as a mentor as required. He chairs Board meetings as well as general meetings of the Bank and concerns himself with the good order and effectiveness of the Board and its processes.

En. Rizal IL-Ehzan as CEO, in leading the Senior Management team, bears the primary responsibility over the day-to-day management of the Bank.

#### **5. Operation of the Board**

The Board schedules at least ten (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 on and consider issues that require the Board's immediate consideration/decision.

At the scheduled Board meetings, 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. The flexibility of the schedule enables pressing matters to be dealt with in a timely manner when they arise.

The Chairman and CEO maintain frequent contact 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 Company Secretary, Mr. Simon Lee Wei Yen, who has more than thirty (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 Universiti Putra Malaysia and a Master of Advanced Business Practice from University of South Australia.

Mr. Simon Lee provides counsel to the Board on governance matters and facilitates effective information flows between the Board, Board Committees and Senior Management. He renders effective support to the Chairman of the Board/Chairmen of Board Committees and Directors in the discharge of their roles and responsibilities; and facilitates effective communication of decisions and policies made by the Board/Board Committees to the Management. He also ensures Board procedures; applicable rules and regulations; and relevant laws are followed and complied with.

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 annually in accordance with the Group's Policy on Fit and Proper. For FY2024, the Board is satisfied with the performance and support rendered by him as Company Secretary.

## 6. Board Committees

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

The Board has five (5) Board Committees, comprising solely Non-Executive Directors: Group Audit Committee ("Group AC"), Group Nomination & Remuneration Committee ("Group NRC"), Group Risk Management Committee ("Group RMC"), Group Sustainability Committee ("Group SC") and Group Information Technology Committee ("Group ITC") that operate on a Group basis covering the Bank and its holding company, namely Alliance Bank Malaysia Berhad ("ABMB") (collectively, "the Group").

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

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

### Group NRC

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

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

The Group NRC also supports the Board in actively overseeing the design and operation of the Bank's remuneration system. It periodically reviews the remuneration of Directors on the Board, particularly 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 the Group NRC was last reviewed and approved by AIS Board on 30 January 2023.

The members of the Group NRC are as follows:

- i. Susan Yuen Su Min – Chairperson
- ii. Tan Sri Dato' Ahmad bin Mohd Don
- iii. Wong Yuen Weng, Ernest
- iv. Dr John Lee Hin Hock (appointed as a member w.e.f. 1 April 2024)
- v. Datuk Wan Azhar bin Wan Ahmad (stepped down as a member w.e.f. 7 April 2024)

During FY2024, the Group NRC met fourteen (14) times. Eleven (11) were regular meetings while five (5) meetings were ad-hoc meetings convened to consider exigency matters.

Details of each Group NRC member's attendance during FY2024 are as follows:

No.	Group NRC Members	Attendance	Percentage
i.	Susan Yuen Su Min	14/14	100%
ii.	Tan Sri Dato' Ahmad bin Mohd Don	11/14	78.57%
iii.	Datuk Wan Azhar bin Wan Ahmad	14/14	100%
iv.	Wong Yuen Weng, Ernest	14/14	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 functions of the Group AC are set out in its Terms of Reference which is published on Alliance Bank's corporate website at:

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

The Terms of Reference of the Group AC was last reviewed by the Board on 22 August 2023.

The members of the Group AC are as follows:

- i. Tan Chian Khong – Chairman
- ii. Cheryl Khor Hui Peng
- iii. Mazidah binti Abdul Malik (appointed as a member w.e.f. 1 August 2023)
- iv. Datuk Wan Azhar bin Wan Ahmad (stepped down as a member w.e.f. 7 April 2024)

The Group AC met twelve (12) times including one (1) joint meeting with Group RMC to ensure effective exchange of information between the two Board Committees.

The details of each Group AC member's attendance during FY2024 are as follows:

No.	Group AC Members	Attendance	Percentage
i.	Tan Chian Khong	12/12	100%
ii.	Datuk Wan Azhar bin Wan Ahmad	12/12	100%
iii.	Cheryl Khor Hui Peng	12/12	100%
iv.	Mazidah binti Abdul Malik	7/7	100%

#### Group RMC

The Group RMC oversees the Senior Management's activities in managing enterprise risks, covering areas such as credit, market, liquidity, operational, compliance, legal, IT/Cyber and sustainability as well as ensures compliance with regulations. This includes ensuring a sound risk strategy and that the risk management framework is functioning effectively according to its purposes. It also actively promotes a consistent culture of compliance and risk awareness as well as risk management culture within the Group. Its oversight role includes approving and deliberating risk and compliance strategies, policies and methodologies and related matters.

The functions of the Group RMC are set out in its Terms of Reference which is published on Alliance Bank's corporate website at:

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

The Terms of Reference of the Group RMC was last reviewed by the Board on 24 October 2023.

The members of the Group RMC are as follows:

- i. Dr. John Lee Hin Hock – Chairman (appointed as member and Chairman w.e.f. 1 April 2024 and 7 April 2024, respectively)
- ii. Ibrahim bin Hassan
- iii. Mazidah binti Abdul Malik
- iv. Lum Piew
- v. Chia Yew Hock, Wilson (appointed as a member w.e.f. 3 November 2023)
- vi. Lee Boon Huat – Chairman (retired as a member w.e.f. 7 April 2024)
- vii. Lee Ah Boon (stepped down as a member w.e.f. 3 November 2023)

During FY2024, the Group RMC met thirteen (13) times including one (1) joint meeting with the Group AC.

Details of each Group RMC member's attendance during FY2024 are as follows:

No.	Group RMC Members	Attendance	Percentage
i.	Lee Boon Huat	13/13	100%
ii.	Ibrahim bin Hassan	13/13	100%
iii.	Mazidah binti Abdul Malik	13/13	100%
iv.	Lum Piew	13/13	100%
v.	Lee Ah Boon	9/9	100%
vi.	Chia Yew Hock Wilson	4/4	100%

#### Group SC

The Group SC supports the Board in the oversight of setting sustainability strategies, priorities and targets, to ensure that the Group's strategies, goals and principles pertaining to sustainability are aligned with, promote and encourage the Group's commitment towards sustainability.

The functions of the Group SC are set out in its Terms of Reference which is published on Alliance Bank's corporate website at:

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

The Terms of Reference of the Group SC was last reviewed by the Board on 25 July 2023.

The members of the Group SC are as follows:

- i. Susan Yuen Su Min – Chairman
- ii. Dato' Ahmad Hisham bin Kamaruddin
- iii. Cheryl Khor Hui Peng
- iv. Chia Yew Hock, Wilson (appointed w.e.f. 3 November 2023)

During FY2024, the Group SC met six (6) times. Four (4) were regular meetings while two (2) meetings were ad-hoc meetings convened to consider exigency matters.

Details of each Group SC member's attendance during FY2024 are as follows:

No.	Group SC Members	Attendance	Percentage
i.	Susan Yuen Su Min (Chairman)	6/6	100%
ii.	Dato' Ahmad Hisham bin Kamaruddin	6/6	100%
iii.	Cheryl Khor Hui Peng	6/6	100%
iv.	Chia Yew Hock, Wilson	3/3	100%

#### Group ITC

The Group ITC is an outcome-based board committee to primarily provide end-to-end oversight for the IT strategy projects due to its far-reaching and long-term implications for the Bank. The Group ITC is responsible for supporting the Board in providing oversight over technology-related matters in accordance with paragraph 8.4 of the BNM Policy Document on Risk Management in Technology.

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

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

The Terms of Reference of the Group ITC was last reviewed by AIS Board on 27 September 2022

The members of the Group ITC are as follows:

- i. Lum Piew - Chairman (re-designated as Chairman w.e.f. 1 November 2023)
- ii. Cheryl Khor Hui Peng
- iii. Chia Yew Hock Wilson (appointed as a member w.e.f. 3 November 2023)
- iv. Lee Ah Boon (stepped down as a member w.e.f. 3 November 2023)

During FY2024, the Group ITC met twelve (12) times including one (1) joint meeting with Group RMC.

Details of each Group ITC member's attendance during FY2024 are as follows:

No.	Group ITC Members	Attendance	Percentage
i.	Lum Piew (Chairman)	12/12	100%
ii.	Cheryl Khor Hui Peng	12/12	100%
iii.	Chia Yew Hock, Wilson	4/4	100%
iv.	Lee Ah Boon	8/8	100%

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

The Board has five (5) members composing entirely of Non-Executive Directors, majority of whom are Independent Directors.

The Board comprises individuals of high calibre with diverse experience which collectively has the necessary skills, experience and qualifications to effectively manage the Bank and to discharge the responsibilities of the Board. The diverse of business backgrounds of the Directors ensures good use of their different and wide-ranging skills, including their regional as well as industry experience and other attributes for the long-term success of the Bank and the delivery of sustainable value to its shareholder.

The Board considers a strong element of independence among its members as 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. Today, the number of Independent Directors makes up 80% of the Board, thereby exceeding the requirement of the BNM's Policy Document on Corporate Governance that the majority of the Board comprises Independent Directors at all times.

The Board, through the Group NRC, assesses Independent Directors' independence annually. In the annual assessment of Independent Directors of the Bank in respect of FY2024, the Board was satisfied that each of the Independent Directors of the Bank continued 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 interests of the Bank. The Board was also satisfied that each of the Independent Directors continued to fulfil the criteria set out in the BNM Policy Document on Corporate Governance.

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

## **7. Board Gender Diversity**

The Board has adopted the Group 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 in identifying potential candidates for nomination as Directors. The Group Board Succession Plan comprises the guiding principles for effective succession planning as well as the procedures for ensuring a smooth transition in the Board's succession process as existing Directors leave the Board and new ones come on board. The Group Board Succession Plan was last reviewed by the Board on 30 January 2023.

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

### **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 appointments, the Group NRC considers the diversity of skills, knowledge and experience as well as the gender of the candidates.

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

- (a) Is not disqualified under section 68(1) of the Islamic Financial Services Act, 2013;
- (b) Is in compliance with the fit and proper requirements in accordance with the Group's Policy on Fit and Proper;
- (c) Does not have any competing time commitments that impair his/her ability to discharge his/her duties effectively;
- (d) Is not an active politician;
- (e) Is not an officer of a firm appointed as the external auditor of the Bank who is directly involved in the engagement or a partner of the firm until at least three (3) years after: (i) he/she ceases to be an officer or partner of that firm; or (ii) the firm last served as an auditor of the Bank and its subsidiaries; and
- (f) Is preferably at a minimum holds a degree qualification and/or other equivalent qualification(s) and with at least five (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 in accordance with Section 63 of the Islamic Financial Services Act 2013.

## **9. Board and Board Committee Meetings**

Directors/Board Committee members are required to attend at least 75% of Board/Board Committees meetings held during each financial year.



The Directors are supplied with information in a timely manner. The agenda for each Board/Board Committee meeting, together with detailed reports and proposal papers to be tabled are circulated to the Directors for their prior reading well in advance of the date of the meeting. The Directors may request to be furnished with additional information for clarification. Relevant Senior Management and advisers are invited to attend Board/Board Committees meetings, where necessary, 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 any time interact directly with, or request further explanation, information or updates on any aspect of the Bank's operations or business concerns from the Management.

The Board may have access to independent advisers when it sees a need. If it became appropriate for a Director to obtain external professional advice, separate from advice obtained on behalf of the Bank, this would be arranged in consultation with the Chairman and the advice so obtained would ordinarily be provided to all directors.

The Group has implemented paperless meetings where Board materials are uploaded to a secured Board portal that the Directors can 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 sustainability initiatives for a reduced carbon footprint.

The Board had met 15 times during FY2024, including two (2) meetings each to review and approve the Strategy and Budget of the Group and Engagement Sessions with the Shariah Committee.

All Directors have demonstrated that they are able to allocate sufficient time to the Bank in discharging their duties and responsibilities, and their commitment have been affirmed by their attendance at the Board meetings held during FY2024, as reflected below:

No.	Directors	Attendance
1.	Datuk Wan Azhar bin Wan Ahmad Chairman of the Board/Non-Independent Non-Executive Director	15/15
2.	Ibrahim bin Hassan Independent Director	15/15
3.	Dato' Ahmad Hisham bin Kamaruddin Independent Director	15/15
4.	Rustam bin Mohd Idris Independent Director	15/15

#### 10. Board Effectiveness Assessment

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

The Board has implemented an Annual Board Effectiveness Assessment process carried out by the Group NRC, to assess the effectiveness of the Board as a whole, the Committees of the Board and the contributions of each individual Director. The Board through the Group NRC will also engage an external independent consultant to assist in and lend objectivity to the Annual Board Effectiveness Assessment once every three (3) years.

The FY2024 Annual BEE was carried out internally, via the completion of the comprehensive Self and Peer Assessment Questionnaires by Directors.

Below are the Board Effectiveness Assessment processes in respect of FY2024:

### **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; and
- (e) Sustainability.

#### II. Individual Director Self-Assessment

For individual Directors' assessments, Self-Assessment Forms by Individual Directors are completed individually by each 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 Directors' 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; and
- (b) Accountability and Responsibilities.

### **Step 2: Reporting and Discussion by the Group NRC and the Board**

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

For FY2024, the Board was satisfied with the results of the Annual Board Effectiveness Assessment.

#### Fitness and Propriety Assessment

The Board, through the Group NRC, assessed the fitness and propriety of the Directors in accordance with the Group's Policy on Fit and Proper 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.

For FY2024, the Board was satisfied that each of the Directors had met the required standard of fitness and propriety.

## 11. Board Training and Development

The Board acknowledges the importance of continuous training for the Directors to gain insights and keep abreast with the development in the industry to further enhance their skills and knowledge in discharging their roles and responsibilities effectively. While the Directors are expected to have personal development skills to improve themselves. The training needs of the Directors are assessed on a yearly basis by the Group NRC and an annual Board Development Plan is recommended to the Board for approval and adoption. This is to ensure the Directors are accorded the appropriate training necessary for them to discharge their responsibilities more effectively.

In accordance with the annual Board Development Plan, Directors are encouraged to attend a minimum of three (3) training programmes within the financial year taking into consideration emerging trends in the financial services industry. In addition, each Board Committee member is encouraged to attend a minimum of two (2) training programmes relevant to the respective areas of the Board Committees in each financial year to keep abreast with the latest developments.

The Bank has in place an In-house Directors' Orientation Programme for newly appointed Directors in addition to the regulatory mandatory training programmes such as Financial Institutions Directors' Education Core Programme and Islamic Finance for Board of Directors Programme. A new Director will attend the in-house Directors' Orientation Programme within three (3) months upon 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/counter-terrorism financing, anti-bribery and corruption, climate risk and opportunities, strategic issues, emerging trends, cybersecurity awareness, sustainability and climate change, as well as the latest developments, innovations and disruptive technology in the financial services industry to keep abreast of the latest industry developments. All Directors are also regularly updated on new requirements affecting their responsibilities and are constantly reminded of their obligations.

During FY2024, the Directors have attended various training programmes. 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 Training on International Sustainability Standards Board (ISSB) Reporting Readiness.</li><li>• Institute of Corporate Directors Malaysia (ICDM: Mandatory Accreditation Programme Part II: Leading for Impact.</li><li>• Discussion on Contemporary Fatwa.</li><li>• In-house Training on Sustainability Strategy &amp; Culture.</li><li>• In-house Training on Development of Carbon Net-Zero Roadmap.</li><li>• In-house Training on Cyber Security Awareness.</li><li>• In-house Training on AML/CFT/CPF &amp; TFS 2001 &amp; MACC Act 2009: Evolving Challenges &amp; Expectations in Regulatory Compliance.</li></ul>

Directors	Training Programmes attended by Directors
	<ul style="list-style-type: none"> <li>• ASAS: Shariah Textual Review Class (Qiraah Nassiyyah).</li> </ul>
Ibrahim bin Hassan	<ul style="list-style-type: none"> <li>• In house Training on ESG Banking - A Call to Action.</li> <li>• FIDE Forum: Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know.</li> <li>• Discussion on Contemporary Fatwa.</li> <li>• In-house Training on Sustainability Strategy &amp; Culture.</li> <li>• FIDE Forum: AI and Financial Institutions: Friend or Foe?</li> <li>• In-house Training on Development of Carbon Net-Zero Roadmap.</li> <li>• In-house Training on Cyber Security Awareness.</li> <li>• In-house Training on AML/CFT/CPF &amp; TFS 2001 &amp; MACC Act 2009: Evolving Challenges &amp; Expectations in Regulatory Compliance.</li> </ul>
Dato' Ahmad Hisham bin Kamaruddin	<ul style="list-style-type: none"> <li>• ICDM: Navigating the ESG Risk in the Supply Chain.</li> <li>• Capital Market Director Programme (CMDP) Module 1: Directors as Gatekeepers of Market Participants.</li> <li>• CMDP Module 2A: Business Challenges and Regulatory Expectations - What Directors Need to Know (Equities &amp; Future Broking).</li> <li>• CMDP Module 4: Emerging and Current Regulatory Issues in the Capital Market.</li> <li>• In house Training on ESG Banking - A Call to Action.</li> <li>• FIDE Forum: Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know.</li> <li>• CMDP Module 3: Risk Oversight and Compliance - Action Plan for Board of Directors.</li> <li>• In-house Training on International Sustainability Standards Board (ISSB) Reporting Readiness.</li> <li>• Discussion on Contemporary Fatwa.</li> <li>• In-house Training on Sustainability Strategy &amp; Culture.</li> <li>• CMDP Module 2B: Business Challenges and Regulatory Expectations - What Directors Need to Know (Fund Management).</li> <li>• In-house Training on Development of Carbon Net-Zero Roadmap.</li> <li>• In-house Training on Cyber Security Awareness.</li> </ul>

Directors	Training Programmes attended by Directors
	<ul style="list-style-type: none"> <li>In-house Training on AML/CFT/CPF &amp; TFS 2001 &amp; MACC Act 2009: Evolving Challenges &amp; Expectations in Regulatory Compliance.</li> </ul>
Rustam bin Mohd Idris	<ul style="list-style-type: none"> <li>FIDE Forum: Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know.</li> <li>SIDC: Event Suite Talk-Strengthening Islamic Capital Market Proposition Through Fintech.</li> <li>In-house Training on International Sustainability Standards Board (ISSB) Reporting Readiness.</li> <li>Discussion on Contemporary Fatwa.</li> <li>In-house Training on Sustainability Strategy &amp; Culture.</li> <li>In-house Training on Development of Carbon Net-Zero Roadmap.</li> <li>In-house Training on Cyber Security Awareness.</li> <li>In-house Training on AML/CFT/CPF &amp; TFS 2001 &amp; MACC Act 2009: Evolving Challenges &amp; Expectations in Regulatory Compliance.</li> </ul>

All Directors are also regularly being updated on new requirements affecting their responsibility and are constantly reminded of their obligation.

## 12. 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 former central banker.

The members of the Shariah Committee are as follows:

### Chairman

Dr. Tuan Badrul Hisyam bin Tuan Soh

### Members

Tuan Haji Rustam bin Mohd Idris  
Professor Dr. Muhamad Rahimi bin Osman  
Assistant Professor Dr. Muhammad Naim bin Omar  
Ustaz Ahmad Fauwaz bin Ali @ Fadzil

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:

- Provide a decision or advice to AIS on the application of any rulings of the BNM's Shariah Advisory Council (SACBNM), Securities Commission's Shariah Advisory Council (SACSC) or standards on Shariah matters that are applicable to the operations, business, affairs and activities of AIS.

- (b) Provide a decision or advice on matters which require a reference to be made to the SACBNM or SACSC.
- (c) Provide a decision or advice on the operations, business, affairs and activities of AIS which may trigger a Shariah non-compliance event.
- (d) Deliberate on and affirm a Shariah non-compliance finding by any relevant function.
- (e) Endorse rectification measures to address a Shariah non-compliance event.
- (f) Endorse Shariah-related policies and frameworks before they are approved by the Board.
- (g) Approve procedures which complement policies and frameworks and product collaterals.
- (h) Assess the works carried out by Shariah Review and Shariah Audit.
- (i) Endorse zakat computation and distribution.
- (j) Provide advice on the application of Shariah requirements in relation to the recovery options and other relevant components of the Recovery Plan.

During FY2024, the Shariah Committee held twelve (12) meetings including two (2) joint engagement sessions with AIS Board.

Details of each Shariah Committee member's attendance during FY2024 are as follows:

<b>Shariah Committee Member</b>	<b>Attendance</b>	<b>Percentage</b>
Dr Tuan Badrul Hisyam bin Tuan Soh (Chairman)	12/12	100%
Tuan Haji Rustam bin Mohd Idris	12/12	100%
Professor Dr Muhamad Rahimi bin Osman	11/12	92%
Assistant Professor Dr Muhammad Naim bin Omar	12/12	100%
Ustaz Ahmad Fauwaz bin Ali @ Fadzil	12/12	100%

## **B. REMUNERATION**

### Board of Directors

The objective of the Group's Policy on Directors' remuneration is to attract and retain Directors needed to steer the Bank towards achieving its goals effectively. The determination of the Non-Executive Directors' remuneration is a matter for the Board as a whole and is linked to their roles and level of responsibilities.

All Non-Executive Directors are paid fixed annual Director fees and sitting allowance for each Board/Board Committee meeting attended. In addition, Non-Executive Directors also receive other benefits including outpatient medical reimbursement, Group Hospitalisation & Surgical coverage and Directors & Officers Liability Insurance coverage, provided that such Director has not acted negligently, fraudulently or dishonestly, or is in breach of his duty of trust.

The details of remuneration of each Director of the Bank received/receivable from the Bank and the Group in respect of FY2024 are disclosed on page 72 of the annual audited financial statements of the Bank for FY2024.

The remuneration of the Non-Executive Directors will be tabled to the shareholder for approval at the forthcoming 17<sup>th</sup> Annual General Meeting of the Bank to be held on 25 July 2024.

### Performance Management

As the Group envisioned to be the preferred banking partner, the Group has set eight (8) strategic growth pillars in its ACCELER8 2027 ambition, and the Bank is part of this ambition. The Group's performance is measured using the balanced scorecard approach. It encompasses metrics that are based on the Bank's key financials and franchise-building focusing on medium to longer-term strategic initiatives and sustainability agenda encompassing the Environmental, Social and Governance (ESG) elements of climate change and human capital including culture.

The longer-term sustainability agenda is also incorporated in the balanced scorecard in the form of developing a new sustainable banking business, reducing the Group's greenhouse gas emission footprint, proportion of C5 portfolio and scaling up Green-tech financing. The Board sets the tone from the top by reviewing and approving the Group's balanced scorecard.

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

The Bank actively manages the performance of employees to ensure a robust link between the achievement of the Bank's objectives, individual performance and remuneration outcomes. Formal assessments occur biannually, at the middle and end of each performance year.

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

To safeguard the independence and authority of employees engaged in Risk and Control functions that cover Compliance, Risk Management and Internal Audit, the performance of employees in Risk and Control functions are assessed independently of the performance of any business areas they oversee. Their performance metrics are based principally on the achievement of the objectives of their job functions, rather than on the financial performance of the Bank.

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

The Group Remuneration Policy governs the design and management of remuneration for employees, including Senior Management of the Group. 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, to ensure that remuneration practices and programmes are consistent with regulatory requirements and the Group's aspirations. It covers all employees, including Senior Management of the Group. Sustainability KPIs are carried by senior management and differentiated by their role as leaders of business, enablers and governance. The compensation pool assigned to each Division is dependent on their achievements of their respective KPIs which include the ESG elements or parameters. Hence, the success of these sustainability initiatives will have direct impact to the short-term incentive bonus funding at group, division and individual levels. 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	<p>These are not guaranteed and subject to the Bank's results and performance of the work unit and individual employee. This is aligned with prudent risk-taking and incorporates adjustments to reflect:</p> <ul style="list-style-type: none"> <li>i. Financial and non-financial measures of business performance; and</li> <li>ii. The risks related to the business activities, taking into account, where relevant, of the cost of the associated capital.</li> </ul>

		<p>Deferred Cash is also used to achieve the following objectives:</p> <ul style="list-style-type: none"> <li>i. Retain top performers and critical employees;</li> <li>ii. Provide market competitive total compensation; and</li> <li>iii. Align the interest of employees with long- term sustainability.</li> </ul> <p>Variable remuneration is categorised into Short Term Incentive and Long Term Incentive.</p> <p><u>Short Term Incentive</u> Consists of performance bonus and sales commission and incentives which are subject to deferred payments.</p> <p><u>Long Term Incentive</u> Consists of share option, performance shares and restricted shares. The employee share plans have expired and pending review for new plans.</p>
<b>Employee Benefits and Well Being</b>	Indirect and non-cash compensation paid to an employee	<p>Employee benefits are used to foster employees' sense of being valued and improve their quality of life. Benefits help employees pay for healthcare, save for retirement, purchase home and car and take time off work when needed focused at delivering flexible and cost-effective programmes that are of value to employees.</p> <p>Fit@Alliance initiatives bring wellness themes of physical, emotional, financial and social to promote healthy lifestyles among employees and by extension to their colleagues and family.</p>
<b>Career Development &amp; Progression</b>	Conducive environment and opportunities for learning and self development	<p>Development plan is part of our annual appraisal to identify employees' career aspirations, strengths and development needs.</p> <p>Career conversations, targeted development interventions, accelerated progression and mentoring form part of key talent's individual development plan.</p> <p>Robust learning curriculum based on training needs analysis conducted enables upskilling and reskilling set the path towards a future-proofed workforce.</p> <p>Our Learning &amp; Development curriculum outlines five (5) key learning priorities to build future-ready skills and competencies as well as establishing a sustainable business:</p> <ol style="list-style-type: none"> <li>1. A Systematic Way of Approaching Customers</li> <li>2. Harnessing Digital to Improve Customer Value Proposition &amp; Scale Up</li> <li>3. Leveraging Technology to Streamline Processes</li> <li>4. Managers Enabling Teams to Succeed</li> <li>5. Keeping the Bank Safe and Sustainable</li> </ol> <p>Coaching and continuous feedback promote learning from others.</p>



## 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 framework was subsequently included in the Group Remuneration Policy and is subject to periodic review to ensure the variable remuneration complies with the BNM's Policy Document on Corporate Governance. The Group Bonus Pool is determined based on the overall Group performance and is subject to risk adjustments. The Group NRC takes into consideration collective input from Internal Audit, Risk Management and Compliance on both quantitative and qualitative risk outcomes to determine need for moderation to the Group Bonus Pool. The final bonus pool is approved by the Board.

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

The Bank has identified Material Risk Takers ("MRTs") comprising the Senior Management and other officers who are not members of the Senior Management whose responsibilities have a material impact on the Group's performance and risk profile. The variable remuneration of MRTs and other highly remunerated employees is subject to deferral policy. The deferral serves to align remuneration payment schedules with the time horizon of risks and the potential for financial risks to crystallise over a longer period of time. Under the deferral policy, the variable remuneration is subject to a progressive deferral rate of up to 40%. The deferral rate increases with the higher amount of variable remuneration payable to the eligible employees. The deferred portion or award will vest equally over a period of three (3) years. The deferred awards, both unvested and vested portions, are subject to forfeiture and clawback in the event of a material restatement of the Bank or business unit's financials or significant deterioration in the Bank or business unit's financial health and/or if the employee has committed misconduct or resigned.

The Bank does not have other MRTs 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 ("SMs") of the Bank in respect of FY2024. There were five (5) members of the Senior Management of the Bank in FY2024.

Table 1: Remuneration Awarded to SMs in FY2024

FY2024	
Category	(RM'000)
Fixed Pay	4,251
Variable Pay – cash based	1,013
Deferred Variable Pay – cash based	242

Table 2 : Breakdown of Deferred Remuneration

Category	(RM'000)
<b>Total amount of outstanding deferred remuneration</b>	
• Cash	466
• Shares	-
<b>Total amount of deferred remuneration paid out during the financial year</b>	
• Cash	130
• 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)	-

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

## C. AUDIT AND RISK MANAGEMENT

### 1. Risk Management and Internal Control Framework

The Board is ultimately responsible for the Bank's risk management and internal control framework. The Board, assisted by the Group RMC and Group AC, confirms that it monitors the Bank's risk management and internal control systems and carries out a review of their effectiveness, at least annually. The monitoring and review cover 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 in the Integrated Annual Report of Alliance Bank, which is accessible from Alliance Bank's corporate website at <https://www.alliancebank.com.my>.

### 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.

The Anti-Bribery and Corruption Policy is established with the following objectives:

- (a) To set out the minimum standards of conduct in respect of bribery and corruption for directors and employees, and complements the core principles of the Code of Conduct;
- (b) To provide high level guiding principles on how to address bribery and corruption risks and issues which may arise in the business activities of the Group;
- (c) To protect the reputation of the Group by preventing and/or detecting bribery and corruption risks;
- (d) To ensure that directors and employees understand:
  - their responsibilities in ensuring compliance with the Policy;
  - the consequences of non-compliance with this Policy; and
  - the relevant laws and regulations relating to bribery and corruption in Malaysia.

The Policy is guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009 and is supported by the Group's Anti-Bribery and Corruption Procedures.

During FY2024, the Directors attended an in-house Anti-Bribery and Corruption training programme as part of the Board Development Plan.

### 3. Whistleblowing Policy

In line with the Bank's strive for sustained ethical business practices, the Bank has put in place a Whistleblower Policy that is designed to provide a platform for employees to report instances of unethical behaviour, abuse, actual or suspected fraud, harassment, discrimination, misappropriation of assets, bribery or other misconduct or illegal activities within the Bank.

The Whistleblower Policy is also an avenue for employees to raise concerns in relation to specific issues that are in the interest of integrity and justice.

Employees who utilise the whistleblower platform are ensured of anonymity (if applicable) and are protected against work related retaliation to a certain extent when the concerns are raised in good faith.

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

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 2023 Integrated 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 2023 Integrated Annual Report of Alliance Bank.

The Board, Board Committees and Management Committees periodically review and update these policies and procedures in accordance with the operational and business needs of the Bank, changes in regulations and industry development.

The internal control framework is embedded within the Bank's three Lines of Defence, the details of which are disclosed in the Risk Management Report set out in the 2023 Integrated Annual Report of Alliance Bank.

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

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

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

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

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

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

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

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

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

Details on the risk management framework and internal control system are explained in the Statement on Risk Management and Internal Control, and Risk Management Report set out in the 2023 Integrated Annual Report of Alliance Bank.

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

As the 3rd Line of defence, Group Internal Audit (GIA) performs regular independent reviews on the Bank's activities to evaluate and make recommendations to improve the effectiveness of governance, risk management and control processes. The reviews are conducted in accordance with the 3-year rolling audit plan, which is developed based on the GIA's risk-based audit planning methodology and approved by the Group AC. More detailed description on the internal audit function is highlighted in the Group AC Report as set out in the 2023 Integrated Annual Report of Alliance Bank.