

# Hong Leong Investment Bank Berhad

Registration No. 197001000928 (10209-W)

(Incorporated in Malaysia)

## Corporate Governance

Corporate Governance is the process and structure used to direct and manage the business and affairs of the Bank towards promoting business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value while taking into account the interests of other stakeholders.

The Board reviewed the manner in which the Bank Negara Malaysia ("BNM") policy document on Corporate Governance ("BNM CG Policy") is applied in the Group, where applicable, as set out below.

### A Board of Directors ("Board")

#### I Roles and Responsibilities of the Board

The Board assumes responsibility for effective stewardship and control of the Bank and has established terms of reference to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Bank's website. The Board Charter was last reviewed by the Board in April 2023. The key roles and responsibilities of the Board broadly covers reviewing and approving corporate policies and strategies; overseeing and evaluating the conduct of the Bank's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure and such other responsibilities that are required as specified in the guidelines and circulars issued by BNM from time to time.

The day-to-day business of the Bank is managed by the Group Managing Director ("GMD")/Chief Executive Officer ("CEO") who is assisted by the management team. The GMD/CEO and her management team are accountable to the Board for the performance of the Bank. In addition, the Board has established Board Committees which operate within clearly defined terms of reference primarily to support the Board in the execution of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit function, internal controls and risk management to the Board Audit and Risk Management Committee ("BARMC"). The Nomination and Remuneration Committee ("NRC") is delegated the authority to, inter alia, assess and review Board, Board Committees and GMD/CEO appointments and re-appointments and oversee management succession planning. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD/CEO. This division of responsibilities between the Chairman and the GMD/CEO ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The GMD/CEO is responsible for formulating the vision and recommending policies and the strategic direction of the Bank for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder's wealth, providing management of the day-to-day operations of the Bank and tracking compliance and business progress.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

#### I Roles and Responsibilities of the Board (continued)

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgement to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of the INEDs independent judgement or their ability to act in the best interest of the Bank and its shareholders.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at 'www.ssm.com.my'. In addition, the Bank also has a Code of Conduct and Ethics that sets out sound principles and standards of good practice which are to be observed by the employees. A Whistleblowing Policy has also been established by the Bank and it provides a structured channel for all employees of the Bank and any other persons providing services to the Bank, or having a business relationship with the Bank, to report any concerns about any improper conduct, wrongful acts or malpractice committed within the Bank.

#### II Board Composition

The Board currently comprises six (6) directors, five (5) of whom are INEDs.

The Bank is guided by BNM CG Policy and the Securities Commission Malaysia's ("SC") Guidelines on Corporate Governance for Capital Market Intermediaries ("CG Guidelines") in determining its board composition. The Board shall determine the appropriate size of the Board to enable efficient and effective conduct of Board deliberation. The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Bank. Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. The Board will consider appropriate targets in Board diversity including gender balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate. The Board currently has six (6) directors, of whom two (2) are women directors.

Based on the review of the Board composition in July 2023, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Bank.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### III Board Meetings

The Board met nine (9) times during the financial year ended 30 June 2023 with timely notices of issues to be discussed. Details of attendance of each director are as follow:

Director	Attendance
Yong Yoong Fa	9/9
Tan Kong Khoon	9/9
Musa bin Mahmood	9/9
Raja Noorma binti Raja Othman	8/9
Datuk Manharlal a/l Ratilal	9/9
Chee Fei Meng <sup>(1)</sup>	3/3

<sup>(1)</sup> Ms Chee Fei Meng was appointed as Director of the Bank with effect from 6 March 2023. There were three (3) Board meetings held since her appointment.

At the Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretary accordingly. Any Director who has an interest in the subject matter to be deliberated shall not be present at the Board meeting where the subject matter is being deliberated by the Board.

### IV Directors' Profile

#### YONG YOONG FA

Chairman/Non-Executive Director/Independent

Age 66, Male, Malaysian

Mr Yong Yoong Fa is a Chartered Accountant by profession. He is a member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. He served his articleship at Price Waterhouse, Kuala Lumpur.

Mr Yong has more than 40 years of professional experience in different disciplines of public accounting, general management, chief executive functions and Board's engagements in public listed as well as private companies. His exposure garnered over the years covered diverse industries of manufacturing, trading, property developments, plantations, finance companies, stockbroking and investment banking.

He was in the investment banking and stockbroking industry for more than 20 years and has held senior appointments in companies in Malaysia and Singapore including being the CEO of a merchant bank and stockbroking companies. He was one of the founders of a new stockbroking company in 1993. In funds management, he has served as a business advisor on the Advisory Board of a large private equity fund. He was an ex-Council Member (Treasurer) of the Association of Merchant Banks, Malaysia.

Mr Yong was appointed to the Board of HLIB on 15 July 2015. He is presently the Chairman of the Board, and a member of the BARMC, the NRC, and the Credit and Underwriting Supervisory Committee ("CUSC") of HLIB.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

#### IV Directors' Profile (continued)

##### **TAN KONG KHOON**

Executive Director/Non-Independent

Age 66, Male, Singaporean

Mr Tan Kong Khoon holds a Bachelor of Business Administration degree from Bishop's University, Canada and is an alumnus of the Harvard Business School Advanced Management Program. He is a Chartered Banker of the Asian Institute of Chartered Bankers.

Mr Tan is the President & CEO of Hong Leong Financial Group Berhad ("HLFG"). He was the GMD/CEO of Hong Leong Bank Berhad ("HLB") from 1 July 2013 to 4 February 2016. Prior to joining HLB, Mr Tan was the Group Executive, Consumer Banking Group of DBS Bank Ltd ("DBS") from 1 December 2010 to 15 April 2013 where he led and managed strategy formulation and execution for consumer banking globally across the DBS Group.

Mr Tan began his banking career with DBS in 1981. Since then, he has successfully built consumer banking franchises across multiple markets in Asia for Citibank, Standard Chartered Bank and ANZ Bank.

From March 2007 to December 2009, Mr Tan was the President and CEO of Bank of Ayudhya, the fifth largest financial group in Thailand listed on the Thailand Stock Exchange. The group businesses included commercial and investment banking, life and non-life insurance, stockbroking, asset management and consumer finance subsidiaries.

Mr Tan was appointed to the Board of HLIB on 1 January 2017. He is presently the Chairman of the CUSC of HLIB.

Mr Tan is the Chairman of Hong Leong Capital Berhad ("HLCB") and a Director of HLFG and HLB, companies listed on the Main Market of Bursa Malaysia Securities Berhad; and a Director of Hong Leong Assurance Berhad ("HLA"), a public company. He is also the Chairman of Hong Leong Bank (Cambodia) PLC and Chief Controller on the Board of Controllers of Hong Leong Bank Vietnam Limited.

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## **Corporate Governance** (continued)

### **A Board of Directors ("Board")** (continued)

#### **IV Directors' Profile** (continued)

##### **MUSA BIN MAHMOOD**

Non-Executive Director/Independent

Age 61, Male, Malaysian

Encik Musa bin Mahmood, a Malaysian, holds a Master of Business Administration and Bachelor of Science in Accounting from Indiana State University, United States of America.

Encik Musa has 31 years of working experience mainly in corporate finance and capital market regulation and development. He was attached with the SC for 24 years, where he had extensive involvement in formulating, reviewing and administering SC's regulatory framework, policies and guidelines for the capital market. His last position in SC prior to his retirement in August 2017 was Deputy Director of Corporate Finance & Investments Business Group which he held from 2013 to 2017. Prior to that, he was the General Manager/Head of Corporate Finance from 2011 to 2013.

From 2007 to 2010, he served as the General Manager/Head of Market Development where he led and managed the development of framework and policies for capital markets and products. Prior to that, he served as the Deputy General Manager/Head of Primary Market Regulation and before that as Deputy General Manager/Joint-Head of Securities Issues, where he led and oversaw the development of regulatory framework and administration of policies and guidelines for fund-raising and listings.

Prior to joining SC, Encik Musa was attached with the corporate finance department of an investment bank and was involved in the provision of corporate finance and advisory services in relation to various corporate exercises including valuation of companies, assets and securities, initial public offerings, fund raisings, corporate restructurings, acquisitions, takeovers, mergers, securities underwriting and independent advice.

Encik Musa was appointed to the Board of HLIB on 22 March 2018. He is presently the Chairman of the NRC and a member of the BARMC of HLIB.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

#### IV Directors' Profile (continued)

##### **RAJA NOORMA BINTI RAJA OTHMAN**

Non-Executive Director/Independent

Age 64, Female, Malaysian

YM Raja Noorma binti Raja Othman holds a Bachelor of Business Administration degree from Ohio University, United States of America under a twinning programme with MARA Institute of Technology. She attended the Global Leadership Development Program at Harvard Business School in 2008 organised by International Centre for Leadership in Finance (ICLIF) Malaysia. She is a member of the Malaysian Institute of Accountants.

YM Raja Noorma has more than 30 years of experience in banking, asset management and the corporate sector. Prior to her retirement in December 2018, she was the Head of London Branch of CIMB Bank Berhad from 2015 to 2018. She was a Director of Group Asset Management ("GAM") in CIMB Investment Bank Berhad ("CIMB IB") from 2007 to 2015 overseeing the entire Asset Management businesses of CIMB Group. During her term as Director of GAM in CIMB IB, she was also the CEO of CIMB-Mapletree Management Sdn Bhd, an adviser to a privately held real estate fund.

Prior to joining CIMB Group, she was the Vice-President of Investment Banking at JP Morgan, a position she held for over 5 years. She was attached to JP Morgan's offices in Hong Kong, Singapore and Malaysia as industry and client coverage banker. She had served Telekom Malaysia Berhad, a public listed corporation for about 10 years where the last post held was as Head of Corporate Finance. While in Telekom Malaysia Berhad, she was a Board member of several of their overseas ventures.

YM Raja Noorma was appointed to the Board of HLIB on 10 May 2019. She is presently a member of the BARMC and the CUSC of HLIB.

YM Raja Noorma is a Director of HFLG and YTL Corporation Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad. She also sits on the Board of other public corporations, namely as-Salihin Trustee Berhad and Ncell Axiata Limited. She is an Independent Investment Committee Member of Mapletree Australia Commercial Private Trust (MASCOT), a Singapore based private equity real estate fund and a member of the Investment Panel of the Employees Provident Fund.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

#### IV Directors' Profile (continued)

##### **DATUK MANHARLAL A/L RATILAL**

Non-Executive Director/Independent

Age 64, Male, Malaysian

YBhg Datuk Manharlal a/l Ratilal holds a Masters in Business Administration from the University of Aston in Birmingham, United Kingdom in 1984 and a Bachelor of Arts (Honours) degree in Accountancy from the City of Birmingham Polytechnic (now known as Birmingham City University, United Kingdom) in 1982. YBhg Datuk Manharlal is a Fellow of the Asian Institute of Chartered Bankers.

YBhg Datuk Manharlal was the Executive Vice President & Group Chief Financial Officer ("CFO") of Petroliam Nasional Berhad (PETRONAS), a member of the Board and Executive Leadership Team of PETRONAS and sat on the Board of several subsidiaries of PETRONAS until his retirement in 2018. Prior to joining PETRONAS in 2003, he was attached with a local merchant bank for 18 years, concentrating in corporate finance where he was involved in advisory work in mergers and acquisitions, and the capital markets.

YBhg Datuk Manharlal was appointed to the Board of HLIB on 23 November 2020. He is presently the Chairman of the BARMC and a member of the NRC of HLIB.

YBhg Datuk Manharlal is also a Director of HLB, Genting Berhad and Deleum Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad.

##### **CHEE FEI MENG**

Non-Executive Director/Independent

Age 56, Female, Malaysian

Ms Chee Fei Meng holds a Bachelor of Economics and a Bachelor of Laws, both awarded by Monash University Australia, and qualified as Barrister and Solicitor of the Supreme Court of Victoria, Australia as well as Advocate and Solicitor of the High Court of Malaya.

Ms Chee has about 30 years of experience in corporate finance, capital markets and securities regulations having served as a legal practitioner, in-house counsel, a partner in one of the top law firms in Malaysia as well as an equity capital markets banker prior to serving as a capital markets regulator. She retired from the SC as the Executive Director and General Counsel on 30 June 2022. Prior to joining SC, she was with the CIMB Group for about 15 years where she held various positions, the last being the Senior Managing Director and Regional Head of Group Legal – Wholesale Banking and Group Asset Management & Investments.

Ms Chee was appointed to the Board of HLIB on 6 March 2023.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### V Directors' Training

The Bank recognises the importance of continuous professional development and training for its Directors.

The Bank is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Bank. The Induction Programme is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Bank's business, governance process, roles and responsibilities as Director of the Bank. The CPD encompasses areas related to the industry or business of the Bank, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

The Bank regularly organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Bank has prepared for the use of its Directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a Director vis-a-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of Directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management, information technology, cyber security, internal control and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During the financial year ended 30 June 2023, the Directors received regular briefings and updates on the Bank's businesses, strategies, operations, risk management, compliance, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes were also organised for the Directors and senior management of the Bank.

The Directors of the Bank have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.



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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### V Directors' Training (continued)

During the financial year ended 30 June 2023, the Directors of the Bank, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Axiata – Anti-Bribery and Corruption Laws in Malaysia and Other Countries by Law Partnership and Amicus Legal Consultants
- Axiata – Board Awareness Session on Anti-Bribery and Anti-Corruption Laws and Corruption Risk Assessment
- Baker McKenzie – A Deep Dive into NFTs
- Baker McKenzie – Integrating crypto into established financial services - Funds and listings
- Baker McKenzie – The Crypto Ecosystem
- Bank of Singapore – The Geopolitics Turmoil and its Impact on Family Offices with George Yeo, Former Singapore Minister of Foreign Affairs and Chairman of Kerry Logistics - Geopolitics - is the worst yet to come?
- BNM – Engagement session for BNM annual report 2022, Economic & Monetary Review 2022 and Financial Stability Review Second Half 2022
- Bursa Malaysia – Presentation of PLC Transformation Guidebook 2 and sharing session by panellists covering their initiatives and viewpoints in embodying sustainability
- Deleum Berhad – Board Training on ISO 37001 - Anti Bribery Management System by Mr K K Chong, Truine ABMS Advisory Sdn Bhd
- Deleum Berhad – Briefing on Environmental, Social and Governance by PricewaterhouseCoopers PLT
- FIDE Forum – Can America Stop China's Rise? Will ASEAN Be Damaged?
- FIDE Forum – The Emerging Trends Threats and Risks to the Financial Services Industry - Managing Global Risk Investment and Payment System
- Genting Berhad - Awareness Session: Introduction to Integrated Reporting
- HLB – The Heightened Legal & Regulatory Expectations on Sanctions
- HLCB – Anti-Money Laundering/Counter Financing of Terrorism & Targeted Financial Sanctions – Prevention, Detection & Collaboration in Fronting Compliance
- HLFG – Anti-Bribery and Corruption Refresher Training: Revisiting Section 17A of the Malaysian Anti-Corruption Commission (MACC) Act 2009 on Corporate Liability Provision – Developing a Robust Anti-Bribery & Corruption Framework as Lines of Defence
- HLFG – Briefing on Environmental, Social and Governance by PricewaterhouseCoopers PLT
- HLFG – Presentation on Insurtech by JP Morgan Securities Asia Pte Ltd
- ICDM – How to be an Effective Non-Executive Director (NED) in a Disruptive World
- ICDM – International Directors Summit 2022: The B Factor - [Bold + Brave] Boards
- ICLIF – Understanding the Cyber Security Landscape
- IERP – Directors Guide to Machine Learning and Artificial Intelligence
- SIDC – Capital Market Director Programme (CMDP)
- SWIFT – Sibos 2022 Conference: Progressive Finance For A Changing World

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VI Board Audit and Risk Management Committee ("BARMC")

The financial reporting and internal control system of the Bank are overseen by the BARMC.

#### Composition

The BARMC is chaired by an independent director and comprises:

Datuk Manharlal a/l Ratilal	(Chairman, Independent Non-Executive Director)
Yong Yoong Fa	(Independent Non-Executive Director)
Musa bin Mahmood	(Independent Non-Executive Director)
Raja Noorma binti Raja Othman	(Independent Non-Executive Director)

#### Secretary

The secretary(ies) to the BARMC is/are the Company Secretary(ies) of the Bank.

#### Terms of Reference

##### External Audit

- (a) To make recommendations to the Board on the appointment, removal and remuneration of the external auditor.
- (b) To review the terms of engagement and the audit plan prior to engaging the external auditor and/or re-appointment of the external auditor.
- (c) To monitor and assess the independence of the external auditor, including the approval of non-audit services by the external auditor.
- (d) To review the assistance given by the officers of the Bank to the external auditor.
- (e) To maintain regular, timely, open and honest communication with the external auditor, and requiring the external auditor to report to the BARMC on significant matters.
- (f) To review the report of the external auditor, including any significant matters and to ensure that management has taken the necessary corrective actions in a timely manner to address the external audit findings and recommendations.
- (g) To review third-party opinions on the design and effectiveness of the Bank's internal control framework.

##### Financial Reporting

- (a) To review the accuracy and adequacy of the chairman's statement (if any) in the directors' report and corporate governance disclosures of the Bank.
- (b) To review the interim financial reports and annual financial statements of the Bank and its subsidiaries before submission to the Board, focusing particularly on changes in accounting policies and practices; significant adjustments arising from the audit; the going concern assumptions; and compliance with accounting standards and other legal requirements.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VI Board Audit and Risk Management Committee ("BARMC") (continued)

#### Terms of Reference (continued)

#### Related Party/Connected Party Transactions

- (a) To review and update the Board on any related party transactions that may arise within the Bank.
- (b) To review and recommend for Board's approval, any credit transactions and exposure with connected parties.
- (c) To monitor compliance with the Board's conflict of interest policy.

#### Internal Audit

- (a) To review and approve the adequacy of the internal audit scope, procedures, plan, and assess the performance and effectiveness of the internal audit function.
- (b) To review the adequacy and effectiveness of internal controls and risk management processes.
- (c) To review reports and significant findings by Internal Audit Department, including any findings of internal investigations, and to ensure that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the internal audit and other control functions.
- (d) To review reports and findings issued by regulatory authorities, and to check that management has taken the necessary corrective actions in a timely manner to address control weaknesses, non-compliance with laws, regulatory requirements, policies and other problems identified by the regulatory authorities.
- (e) To support the Board in meeting the expectations on Internal Audit management as set out in BNM's "Guidelines on Internal Audit Function of Licensed Institutions".
- (f) To decide on the appointment, remuneration, appraisal, transfer and dismissal of the Head of Internal Audit, and to provide oversight on the adequacy of resources and remuneration of the internal auditors. This includes regular review to determine whether the internal audit function has appropriate standing within the Bank to undertake its activities independently and objectively.
- (g) To engage privately with the Head of Internal Audit on a regular basis (and in any case at least twice annually) to provide the opportunity for the Head of Internal Audit to discuss issues faced by the internal audit function.
- (h) To review the Audit Charter and recommend for Board's approval.
- (i) To review any significant disagreement between the Head of Internal Audit and any member(s) of the Senior Management team where such disagreement may have adverse impact on the audit process or findings, and to recommend resolutions of such disagreement if they remain unresolved within a reasonable period of time.
- (j) To establish an appropriate mechanism to address and manage situations where there is a threat to the objectivity of internal audit.
- (k) To satisfy itself that the internal audit function is effective by establishing a mechanism to assess its performance and effectiveness.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VI Board Audit and Risk Management Committee ("BARMC") (continued)

#### Terms of Reference (continued)

#### Internal Audit (continued)

- (l) To ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established when engaging external experts, where the internal audit function lacks the expertise needed to perform the audit of specialised areas.
- (m) Other audit functions as may be agreed to by the BARMC and the Board.

#### Risk Management

- (a) To review Senior Management's activities in managing principal risks such as (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, operational risk, IT risk and environmental, social and governance risk.
- (b) To review Senior Management's reporting to the Board on measures taken to:
  - (i) Identify and examine principal risks faced by the Bank.
  - (ii) Implement appropriate systems and internal controls to manage these risks.
- (c) To review the major risk management strategies, policies and risk tolerance for Board's approval.
- (d) To review the overall framework on Internal Capital Adequacy Assessment Process ("ICAAP"), annual risk appetite and Capital Management Plan.
- (e) To review the development and effective implementation of the ICAAP.
- (f) To review the stress testing governance including the evaluation on the capital stress test scenarios, parameters, key assumptions and results.
- (g) To review the periodic reports on risk appetite, risk exposure, risk portfolio composition, stress testing and risk management activities.
- (h) To review the adequacy and effectiveness of the internal controls and risk management process.
- (i) To review the adequacy of risk management policies and frameworks in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively.
- (j) To review risk management function's infrastructure, resources and systems and to ensure that the staff responsible for implementing risk management systems perform those duties independently of the Bank's risk taking activities.
- (k) To receive and review reports from pertinent management committees.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VI Board Audit and Risk Management Committee ("BARMC") (continued)

#### Terms of Reference (continued)

#### Risk Management (continued)

- (l) To review Senior Management's implementation of risk management as set out in BNM policy document on Risk Governance, Approach to Regulating and Supervising Financial Groups, and Corporate Governance.
- (m) To review and advise on the appointment, remuneration, removal and redeployment of the Chief Risk Officer ("CRO").
- (n) To engage privately with the CRO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CRO to discuss issues faced by the risk management function.
- (o) To review Senior Management's implementation of the remuneration system on whether incentives provided by the remuneration system take into consideration risks, capital, liquidity and the likelihood and timing of earnings, without prejudice to the tasks of the Board Remuneration Committee.
- (p) Other risk management functions as may be agreed to by the BARMC and the Board.

#### Compliance

- (a) To assist the Board in the oversight of the management of compliance risk by:
  - (i) reviewing compliance policies and overseeing Senior Management's implementation of the same;
  - (ii) reviewing the establishment of the compliance function and the position of the Chief Compliance Officer ("CCO") to ensure the compliance function and CCO are provided with appropriate standing, authority and independence;
  - (iii) discussing and deliberating compliance issues regularly and oversee that such issues are resolved effectively and expeditiously;
  - (iv) reviewing annually the effectiveness of the Bank's overall management of compliance risk, having regard to the assessments of Senior Management and internal audit, as well as interactions with the CCO;
  - (v) updating the Board on all significant compliance matters, including providing its views on (i) to (iv) above.
- (b) In relation to the role of the CCO, support the Board in meeting the expectations on compliance management as set out in BNM policy document on Compliance by:
  - (i) reviewing and advising on the appointment, remuneration and termination of the CCO;
  - (ii) ensuring that CCO has sufficient stature to allow for effective engagement with the CEO and other members of Senior Management;
  - (iii) engaging privately with the CCO on a regular basis (and in any case at least twice annually) to provide the opportunity for the CCO to discuss issues faced by the compliance function;
  - (iv) ensuring that the CCO is supported with sufficient resources, including competent officers, to perform his duties effectively;
  - (v) where CCO also carries out responsibilities in respect of other control functions, the BARMC shall be satisfied that a sound overall control environment will not be compromised by the combination of responsibilities performed by the CCO.
- (c) Other compliance functions as may be agreed to by the BARMC and the Board.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VI Board Audit and Risk Management Committee ("BARMC") (continued)

#### Whistleblowing

- (a) In relation to the Bank's Whistleblowing Policy and Procedures,
- (i) oversee the implementation and effectiveness of the Bank's Whistleblowing Policy and Procedures; and
  - (ii) exercise its powers and carry out its responsibilities as set out under the Bank's Whistleblowing Policy and Procedures.

#### Authority

The BARMC is authorised by the Board to review any activity of the Bank within its terms of reference. It is authorised to seek any information it requires from any Director or member of Senior Management and all employees are directed to co-operate with any request made by the BARMC.

The BARMC is authorised by the Board to obtain independent legal or other professional advice as it considers necessary.

#### Meetings

The BARMC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The GMD/CEO, CRO, CCO, Head of Internal Audit, Chief Financial Officer ("CFO"), other Senior Management, employees and external auditor may be invited to attend the BARMC meetings, whenever required.

At least twice a year, the BARMC will have separate sessions with the external auditor without the presence of Executive Directors and Senior Management.

Issues raised, discussions, deliberations, decisions and conclusions made at the BARMC meetings are recorded in the minutes of the BARMC meetings. A BARMC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the BARMC meeting where the material transaction or material arrangement is being deliberated by the BARMC.

Two (2) members of the BARMC, who shall be independent, shall constitute a quorum and the majority of members present must be independent directors.

After each BARMC meeting, the BARMC shall report and update the Board on significant issues and concerns discussed during the BARMC meetings and where appropriate, make the necessary recommendations to the Board.

# Hong Leong Investment Bank Berhad

Registration No. 197001000928 (10209-W)

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VI Board Audit and Risk Management Committee ("BARMC") (continued)

#### Activities

The BARMC carried out its duties in accordance with its terms of reference.

During the financial year ended 30 June 2023, thirteen (13) BARMC meetings were held and the attendance of the Members was as follows:

Member	Attendance
Datuk Manharlal a/l Ratilal	13/13
Yong Yoong Fa	13/13
Musa bin Mahmood	13/13
Raja Noorma binti Raja Othman	12/13

The BARMC reviewed the quarterly reports and annual financial statements of the Bank. The BARMC met with the external auditors and discussed the nature and scope of the audit, considered significant changes in accounting and auditing issues, reviewed the management letter and management's response, examined pertinent issues which had significant impact on the results of the Bank and discussed applicable accounting and auditing standards. The BARMC also reviewed the internal auditors' audit findings and recommendations as well as regulators' independent assessments and reports on the Bank.

In addition, the BARMC reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information systems. It also reviewed the processes put in place to identify, evaluate and manage material risks to the Bank.

The BARMC reviewed various related party transactions carried out by the Bank.

### VII Nomination and Remuneration Committee ("NRC")

#### Composition

The NRC is chaired by an independent director and comprises:

Musa bin Mahmood	(Chairman, Independent Non-Executive Director)
Yong Yoong Fa	(Independent Non-Executive Director)
Datuk Manharlal a/l Ratilal	(Independent Non-Executive Director)

#### Secretary(ies)

The Secretaries of the Bank or such other person as nominated by the Board will be the Secretary(ies) of the NRC.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

## VII Nomination and Remuneration Committee ("NRC") (continued)

### Responsibilities

#### The nomination responsibilities of NRC are as follows:

- (a) Support the Board in carrying out its functions in the following matters concerning the Board, senior management and company secretary(ies):
  - (i) appointments and removals;
  - (ii) composition;
  - (iii) performance evaluation and development; and
  - (iv) fit and proper assessments.
- (b) Recommend to the Board the minimum criteria and skill sets for appointments to the Board, Board Committees and for the position of CEO.
- (c) Review and recommend to the Board all Board and Board Committees appointments, re-appointments and removals including of the CEO.
- (d) Review annually the overall composition of the Board in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors, and mix of skills and other core competencies required.
- (e) Assess annually the performance and effectiveness of the Board, Board Committees and each individual director.
- (f) Oversee the appointment, management of succession planning and performance evaluation of key senior management officers and recommend their removal if they are found ineffective, errant and negligent in discharging their responsibilities.
- (g) Ensure that the Board receives an appropriate continuous training programme.

#### The remuneration responsibilities of NRC are as follows:

- (a) Recommend to the Board the framework and policies governing the remuneration of the:
  - Directors;
  - CEO;
  - Senior management officers; and
  - Other material risk takers.
- (b) Review and recommend to the Board for approval the specific remuneration packages of executive directors and the CEO.
- (c) Review and recommend to the Board for approval the remuneration of senior management officers and other material risk takers.



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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VII Nomination and Remuneration Committee ("NRC") (continued)

During the financial year ended 30 June 2023, three (3) NRC meetings were held and the attendance of the members was as follows:

Member	Attendance
Musa bin Mahmood	3/3
Yong Yoong Fa	3/3
Datuk Manharlal a/l Ratilal	3/3

The NRC reviewed the membership of the Board, the professional qualifications and experience of the directors and was satisfied that the Board composition in terms of size, the balance between executive, non-executive and independent directors and mix of skills was adequate. The NRC also reviewed the performance of the Board against its terms of reference and was satisfied that the Board was competent and effective in discharging its functions. The NRC reviewed the appointment of a director and recommended to the Board for consideration and approval.

The Group's remuneration scheme for executive directors is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The fees of Directors are recommended and endorsed by the Board for approval by the shareholder of the Bank at its AGM.

### Remuneration Policy

The remuneration framework of HLIB is supported by a rigorous and robust performance management process that promotes pay-for-performance and incorporates risk and compliance management as part of the key performance indicators for remuneration decisions. This is to ensure excessive risk-taking behaviour of staff is minimised and sufficient control mechanisms are in place.

The remuneration policy has been reviewed by the NRC and approved by the Board for implementation across all levels of staff in HLIB including Senior Officers and Other Material Risk Takers who are defined in the BNM Policy Document on Fit and Proper Criteria and BNM CG Policy respectively.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

## VII Nomination and Remuneration Committee ("NRC") (continued)

### Remuneration Policy (continued)

HLIB's remuneration framework is guided by three (3) key principles:

(i) **Principle 1 - Oversight by NRC & Board**

The NRC ensures that the remuneration system promotes prudent risk taking behaviour and long-term sustainability, and is guided by input from the BARMC to ensure that risk exposure and risk outcomes are adequately considered.

(ii) **Principle 2 - Prudent Risk Taking**

Remuneration for employees within HLIB must be aligned with prudent risk-taking. As such, remuneration is adjusted to account for all types of risk and must be determined by both quantitative measures and qualitative judgement.

(iii) **Principle 3 - Governance Process for Bonus, Increment and Promotion ("BIP")**

HLIB has established the BIP process that includes strict adherence to regulatory requirements and active oversight by the Board where the remuneration of Senior Officers and Other Material Risk Takers are presented to the NRC for deliberation and approved by the Board annually.

The remuneration framework provides a balanced approach between fixed and variable components. Fixed pay refers to base salary and other fixed allowances that are determined based on competency level, skills, experience, performance and market competitive levels; while variable pay refers to cash bonus and incentive that are determined based on overall HLIB's performance, line of business and individual performance which are measured against Key Result Areas ("KRAs") agreed at the beginning of each financial year.

HLIB adopts a rigorous and robust process for setting key performance indicators that incorporates compliance management as part of the KRAs for all departments. Remuneration of each individual is then formulated based on HLIB's performance, the department's performance and individual contribution. In addition, the performance and remuneration of control functions will be measured and assessed principally based on achievement of their control objectives.

To align payout to time horizon of risk and avoid excessive risk taking behavior of staff, variable remuneration payout is subject to deferral, clawback and malus. Deferred awards are also designed to retain key employees and drive HLIB's long-term performance and sustainability. Clawback and malus will be triggered when there is reasonable evidence that the staff has materially been responsible/contributed to any misconduct, misstatement, material risks exposure, fraud, and regulatory or internal policy breaches.

In accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Companies Act 2016 of Malaysia, HLIB is required to disclose GMD/CEO, Senior Management and other Material Risk Takers' remuneration in the financial statements. Their remuneration for FYE 2023 is shown in the table below:

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### VII Nomination and Remuneration Committee ("NRC") (continued)

#### Remuneration Policy (continued)

Total value of remuneration awards for FYE 2023	GMD/CEO (Headcount: 1)		Senior Management and other Material Risk Takers (Headcount: 32)	
	Unrestricted (RM)	Deferred (RM)	Unrestricted (RM)	Deferred (RM)
<b>Fixed Remuneration</b>				
Cash-based	1,740,000	-	9,766,501	-
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-
<b>Variable Remuneration</b>				
Cash-based	1,812,193	453,048	3,792,238	384,929
Shares and share-linked instruments	-	-	-	-
Other	-	-	-	-

### VIII Directors' Remuneration

Details of Directors' remuneration are set out in Note 34 to the financial statements.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

## IX Group Board Information and Technology Committee ("GBITC")

### Constitution

The GBITC was established at HLF, the penultimate holding company of the Bank, on 29 July 2020 to support the Boards of HLF, HLIB, HLA and Hong Leong MSIG Takaful Berhad ("HLMT") (collectively "Companies", and each "Company"), in discharging the following responsibilities:

1. Oversee technology and cyber security related matters.
2. Facilitate discussions amongst entities of the development in digital trends, to rationalise practices and policies and where possible to seek consistent practices across entities.
3. Ensure that risks assessments undertaken in relation to material technology applications are robust and comprehensive.
4. Ensure that management meets the expectations on technology and cyber security risk management as set out in BNM's policy document on Risk Management in Technology ("BNM RMiT Policy").

### Composition

The composition of the GBITC comprises representatives from the Companies as follows:

Chong Chye Neo	(Chairman, Independent Non-Executive Director of HLF, representing HLF)
Raja Noorma binti Raja Othman	(Independent Non-Executive Director of HLIB, representing HLIB)
Dato' Ng Wan Peng	(Independent Non-Executive Director of HLA, representing HLA)
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	(Independent Non-Executive Director of HLMT, representing HLMT)

### Secretary

The Secretary(ies) to the GBITC is the Company Secretary(ies) of HLF.

### Terms of Reference

- (a) To review management's strategies relating to technology and cyber security and their alignment to the Companies' overall strategy, objectives and risk appetite.
- (b) To ensure that the Companies' technology risk appetite is aligned to Companies' overall risk appetite statement.
- (c) To review the adequacy of management's information technology ("IT") and cyber security strategic plans over a three year period and periodically review these plans at least once every year.
- (d) To oversee management's implementation of sound and robust technology-related frameworks, encompassing technology risk management and cyber resilience.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### IX Group Board Information and Technology Committee ("GBITC") (continued)

#### Terms of Reference (continued)

- (e) To ensure that the Companies' technology-related frameworks encompassing technology risk management and cyber resilience, remains relevant on an ongoing basis.
- (f) To review the Companies' technology-related frameworks encompassing technology risk management and cyber resilience at least once every three years, for the affirmation of the Boards of the Companies ("Boards").
- (g) To review management's reporting to the Boards on measures taken to:
  - Identify and examine technology risk (including cyber risk) faced by the Companies;
  - Ensure strategies are in place to safeguard the Companies against current and emerging technology and/or cyber risks;
  - Assess effectiveness of controls put in place to manage these risks; and
  - Conduct appropriate and timely closure of IT audit findings.
- (h) To review and ensure that management provides sufficient detailed information on key technology risk and critical technology operations to facilitate strategic decision-making. This includes reporting enterprise key risk indicators on the IT and cyber health posture.
- (i) To review and report to the Boards on emerging global technology trends and their potential application within the Companies, to either enhance the business operations, safeguard existing businesses or improve overall technology security.
- (j) To review post implementation reports of key technology projects to ensure that results are aligned to the risk posture stipulated in the initial project request.
- (k) To review and report to the Boards on the strategic benchmarking of technology performance against external peer groups from time to time.
- (l) To review the effectiveness of disaster recovery plans and disaster recovery testing to ensure high system resilience of technology systems, datacentres etc.
- (m) To review and ensure adequacy of cyber security investments and that its associated roadmap for implementation is acceptable.
- (n) Other technology and cyber security related matters as may be agreed by the Boards.

#### Authority

The GBITC is authorised by the Boards to review any technology-related activities of the Companies within its terms of reference. It is authorised to seek any technology-related information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the GBITC.

The GBITC is authorised by the Boards to obtain independent legal or other professional advice if it considers it necessary to perform the duties delegated by the Boards to the GBITC.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### IX Group Board Information and Technology Committee ("GBITC") (continued)

#### Meetings

The GBITC meets at least four (4) times a year and additional meetings may be called at any time as and when necessary.

The President and CEO, GMD/CEO, CFO, CRO, Chief Internal Auditor, CCO, Chief Information Security Officer, Head of Group Operations and Technology, Chief IT Officer, other senior management and external auditors of HLFM and its subsidiaries may be invited to attend the GBITC meetings, whenever required.

Issues raised, as well as discussions, deliberations, decisions and conclusions made at the GBITC meetings are recorded in the minutes of the GBITC meetings. A GBITC member who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the GBITC meeting where the material transaction or material arrangement is being deliberated by the GBITC.

Two (2) members of the GBITC shall constitute a quorum.

After each GBITC meeting, the GBITC shall report and update the Boards on significant technology-related issues and concerns discussed during the GBITC meetings and where appropriate, make the necessary recommendations to the Boards for its deliberation and approval.

The minutes of each GBITC meeting shall be tabled to the Board of each Company.

#### Activities

During the financial year ended 30 June 2023, five (5) GBITC meetings were held and the attendance of the members were as follows:

Member	Attendance
Chong Chye Neo	5/5
Raja Noorma binti Raja Othman	5/5
Dato' Ng Wan Peng	5/5
Dato' Nicholas John Lough @ Sharif Lough bin Abdullah	5/5

The GBITC is a platform for the sharing of knowledge and experience on technology related matters with subject matter experts from the various group entities. In discharging its duties in accordance with its terms of reference, the GBITC carried out the following activities during the financial year ended 30 June 2023:

- Reviewed the IT strategy and monitored the progress against management plan.
- Reviewed the cyber security posture and key security initiatives.
- Reviewed the production incidents and trends.
- Reviewed the state of compliance and progress updates on action items in relation to the BNM RMiT Policy.

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## Corporate Governance (continued)

### A Board of Directors ("Board") (continued)

### IX Group Board Information and Technology Committee ("GBITC") (continued)

#### Activities (continued)

- Reviewed and assessed IT-related policies/guidelines encompassing technology risk management and cyber resilience.
- Reviewed the Business Continuity Management of the Companies, including critical system downtime and disaster recovery plans.
- Reviewed the Companies' adoption of emerging technologies, including the adoption status and corresponding capabilities.
- Deliberated on the on-going development in digital trends in the financial services industry, their potential application within the Companies, and exchange of thoughts on the digital strategy of the Companies.
- Reviewed the Companies' new major applications, systems and projects.
- Reviewed the Companies' risk appetite statement and results of compromise assessment on IT infrastructure.
- Reviewed the results of the BNM IT Audit for financial year 2022/2023 of HLA/HLMT.
- Reviewed the impact of Insurtech and HLA's/HLMT's strategy in this space.
- Reviewed the impact of the digital investing trend and HLIB's strategy in this space.
- Identified and recommended training programme(s) on topics relating to IT for learning and development of Directors, and shared the topics of interest gained from the external training programme(s) with the Management for discussion on the implications thereof to digitalisation propositions of the Companies.

### B Independence

The Bank has in place a policy in relation to the tenure for Independent Directors of the Bank ("Tenure Policy") under the Fit and Proper Policy of the Bank. Pursuant to the Tenure Policy, the tenure of an Independent Director shall not exceed a cumulative term of 9 years from the date of his or her first appointment in the Bank. Upon completion of the 9 years, an Independent Director shall retire on the expiry date of his or her term of office approved by BNM.

### C Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Additional meetings may be convened on an ad-hoc basis as and when necessary. When appropriate, discussion are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 75% of Board meetings held in each financial year pursuant to the BNM CG Policy.

All Board members are supplied with information in a timely manner. The Bank has moved towards electronic Board reports since 2015. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Bank and management's proposals which require the approval of the Board.

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## Corporate Governance (continued)

### C Commitment (continued)

All Directors have access to the advice and services of a qualified and competent Company Secretary to facilitate the discharge of their duties effectively. The Company Secretary is qualified to act under Section 235 of the Companies Act 2016. The Company Secretary supports the effective functioning of the Board, provides advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow amongst the Board, Board Committees and Senior Management. All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Bank's expense, in consultation with the Chairman or the GMD/CEO of the Bank.

A Director who has, directly or indirectly, an interest in a material transaction or material arrangement shall not be present at the Board meeting where the material transaction or material arrangement is being deliberated by the Board.

### D Accountability and Audit

The BARMC is supported by the Internal Audit Department whose principal responsibility is to evaluate and improve the effectiveness of risk management, internal controls and governance systems and processes, and provide the BARMC/BOD with information, recommendations and reasonable assurance to assist them in the effective discharge of their responsibilities to the shareholders and stakeholders. Investigation will be performed at the request of the Board and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

#### I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Bank. The Board receives the recommendation to adopt the financial statements from the BARMC which assesses the financial statements with the assistance of the external auditors.

#### II Internal Control

The Board has overall responsibility for maintaining a system of internal controls which covers financial and operational controls and risk management. This system provides reasonable but not absolute assurance against material misstatements, losses and fraud.

#### III Relationship with Auditors

The appointment of external auditor is recommended by the BARMC to the Board, which determines the remuneration of the external auditor. During the financial year under review, the external auditor met with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

The external auditor met with the BARMC Members twice a year without the presence of management.



# Hong Leong Investment Bank Berhad

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## Corporate Governance (continued)

### E Risk Management

#### I Overview

The organizational structure of the Bank clearly defines the lines of accountability and responsibility. On-going risk assessment and evaluation are an integral part of the Bank's strategic planning cycle and are responsive to the business environment and opportunities. Management committees are appropriately set up to ensure proper utilization and investment of the Bank's assets for effective risk return rewards or to limit losses. The Risk Management Department ("RMD") identifies, evaluates and mitigates risk for the Bank and has implemented an enterprise-wide risk management framework to inculcate continuous risk awareness and understanding of procedures and controls, thus improving the overall control environment.

RMD is responsible for setting the risk management framework, reviewing portfolio risks, and developing tools and methodologies for the identification, measurement, monitoring and control of risks.

The Board assumes responsibility for effective stewardship and control of the Bank. To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over risk management to the Board Risk Management Committee ("BARMC"). Although the Board has granted such authority to BARMC, the ultimate responsibility and final decision rest with the Board.

BARMC reviews Management's activities in managing principal risks (but are not limited to) capital adequacy, credit risk, market risk, liquidity risk, interest rate risk in the banking book, operational risk, compliance risk and environmental, social and governance ("ESG") risk. The BARMC reviews management's reporting to the Board on measures taken to identify and examine principal risks faced by the Bank and implements appropriate systems and internal controls to manage these risks.

The controls built into the risk management framework are not expected to eliminate all risks of failure to achieve business objectives but to provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud. Refer to Note 43 for further details.